

104

AMERICAN OVERSEAS INTERESTS ACT: ADMINISTRATION WITNESSES (PART I)

Y 4. IN 8/16:AM 3/2/PT. 1 RINGS

RE THE
American Overseas Interests Act: Ad...
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON

H.R. 1561

APRIL 4 AND MAY 9, 1995

Printed for the use of the Committee on International Relations



U.S. GOVERNMENT PRINTING OFFICE

92-171 CC

WASHINGTON : 1995

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-047459-0

AMERICAN OVERSEAS INTERESTS ACT: ADMINISTRATION WITNESSES (PART I)

Y 4. IN 8/16:AM 3/2/PT. 1 RINGS
RE THE
American Overseas Interests Act: Ad...
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
FIRST SESSION
ON
H.R. 1561

Printed for the use of the Committee on International Relations



U. S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1995

92-171 CC

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-047459-0

COMMITTEE ON INTERNATIONAL RELATIONS

BENJAMIN A. GILMAN, New York, *Chairman*

WILLIAM F. GOODLING, Pennsylvania
JAMES A. LEACH, Iowa
TOBY ROTH, Wisconsin
HENRY J. HYDE, Illinois
DOUG BEREUTER, Nebraska
CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
JAN MEYERS, Kansas
ELTON GALLEGLY, California
ILEANA ROS-LEHTINEN, Florida
CASS BALLINGER, North Carolina
DANA ROHRBACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
PETER T. KING, New York
JAY KIM, California
SAM BROWNBACK, Kansas
DAVID FUNDERBURK, North Carolina
STEVEN J. CHABOT, Ohio
MARSHALL "MARK" SANFORD, South Carolina
MATT SALMON, Arizona
AMO HOUGHTON, New York

LEE H. HAMILTON, Indiana
SAM GEJDENSON, Connecticut
TOM LANTOS, California
ROBERT G. TORRICELLI, New Jersey
HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
HARRY JOHNSTON, Florida
ELIOT L. ENGEL, New York
ENI F.H. FALEOMAVAEGA, American Samoa
MATTHEW G. MARTINEZ, California
DONALD M. PAYNE, New Jersey
ROBERT E. ANDREWS, New Jersey
ROBERT MENENDEZ, New Jersey
SHERROD BROWN, Ohio
CYNTHIA A. MCKINNEY, Georgia
ALCEE L. HASTINGS, Florida
ALBERT RUSSELL WYNN, Maryland
MICHAEL R. McNULTY, New York
JAMES P. MORAN, Virginia
VICTOR O. FRAZER, Virgin Islands (Ind.)

RICHARD J. GARON, *Chief of Staff*
MICHAEL H. VAN DUSEN, *Democratic Chief of Staff*
KRISTEN GILLEY, *Professional Staff Member*
MARK S. KIRK, *Counsel*
VERONICA A. CRAIG, *Staff Associate*

CONTENTS

WITNESSES

	Page
Tuesday, April 4, 1995:	
The Honorable Richard M. Moose, Under Secretary of State for Management	2
The Honorable J. Brian Atwood, Administrator, Agency for International Development	5
The Honorable Joseph D. Dussey, Director, U.S. Information Agency	8
The Honorable John D. Holom, Director, Arms Control and Disarmament Agency	12
Tuesday, May 9, 1995:	
The Honorable Richard M. Moose, Under Secretary of State for Management	40
The Honorable J. Brian Atwood, Administrator, Agency for International Development	42
The Honorable Joseph D. Dussey, Director, U.S. Information Agency	45
The Honorable Ralph Earle, Deputy Director, United States Arms Control and Disarmament Agency	48

APPENDIX

April 4, 1995:	
Prepared statements:	
The Honorable Richard M. Moose	75
The Honorable J. Brian Atwood	83
The Honorable Joseph D. Dussey	91
The Honorable John D. Holom	98
Prepared materials entitled "Annual Report on Program Performance 1994" from the U.S. Agency for International Development as a response to a request from Congressman Albert Russell Wynn	110
Letter from J. Brian Atwood to Congressman Dan Burton regarding assistance to India	142
Responses by the Department of State to additional questions submitted by Chairman Gilman	143
Responses by the U.S. Information Agency to additional questions submitted by Chairman Gilman	156
Letter from John Holom to Chairman Gilman	165
Responses by the Arms Control and Disarmament Agency to additional questions submitted by Chairman Gilman	167
Prepared materials entitled "What Our Embassies Overseas Really Look Like" provided by the U.S. Information Agency	184
May 9, 1995:	
Prepared statements:	
The Honorable Richard M. Moose	190
The Honorable J. Brian Atwood	194
The Honorable Joseph D. Dussey	205
The Honorable Ralph Earle	211
Remarks by Secretary of State Warren Christopher on the Strategic Management Initiative delivered May 8, 1995	223
Prepared materials from Freedom House News entitled "Bipartisan Group Opposes USIA Elimination" submitted by the U.S. Information Agency	229
Prepared materials entitled "USIA Fact Sheet" submitted by the U.S. Information Agency	235

STATE DEPARTMENT REORGANIZATION

TUESDAY, APRIL 4, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The committee met, pursuant to call, at 10:02 a.m., in room 2172, Rayburn House Office Building, Hon. Benjamin A. Gilman (chairman of the committee) presiding.

Chairman GILMAN. The committee will please come to order. We welcome a panel to the hearing this morning on consolidation of our foreign affairs agencies, and with us today are Undersecretary of State Richard Moose, Director Joseph Duffey of the U.S. Information Agency, Administrator Brian Atwood of the Agency for International Development, and Director John Holum of the Arms Control and Disarmament Agency.

Gentlemen, we appreciate your willingness to come before our committee to discuss this important issue. Our friend and colleague, Senator Helms, has presented a very serious proposal, and we do commend him for his efforts to achieve some meaningful reforms in the structure of our foreign affairs agencies.

These agencies currently reflect the requirements of a bygone era with different challenges, different goals and certainly, different polemics. It was an era that stretched from the end of World War II until the demise of the Soviet Union just a few years ago.

To meet these new challenges that we now face and to take advantage of the new opportunities, our Secretary of State must have all the resources represented by your agencies to formulate a foreign policy that will effectively garner a nation into the next century.

The Budget Committee has advised our committee to plan on reductions for international affairs activities below fiscal year 1995 that will ultimately total \$11 billion over the next 5 years. In the face of spending reductions to this degree, we must consolidate activities in order to give the Secretary of State the flexibility to find these priorities where our Nation must lead.

Our committee must also lead, and after the recess, we expect to be considering a consolidation plan that will incorporate significant savings. I hope that my colleagues will agree that changes in the international affairs budget are required, and our committee must do that kind of work. The members of our committee are the most knowledgeable about these programs and can provide the best judgment as to how to fashion reductions that will still provide the resources necessary to preserve U.S. leadership abroad. Considering the consolidation of the foreign affairs agencies, we should be

guided by three general principles. First, that we must revise our foreign affairs agencies to better integrate our foreign policy tools and functions in light of a new world.

Second, that we secure cost savings through consolidation of various functions in matching of resources to national interest priorities.

Finally, that our foreign affairs structure supports our U.S. presence overseas and implements and coordinates policies developed in our own national interest.

I recognize that Secretary Christopher is moving to address some of these concerns. That is certainly laudable and necessary. But, we are going to have to do more than simply tinker with the mechanisms that we now have. They must be transformed so that we eliminate the duplication and overlap and sometimes confusion, by establishing the Secretary of State as a true manager of our foreign policy and all its component parts.

Housing the responsibility and tools of foreign policy within one agency will allow these functions to be an integral part of policy development. That is particularly important as our diplomatic corps formulates new strategies for meeting new challenges and opportunity in this new era.

I would hope that we could work together on this consolidation, so that we can utilize the expertise that is now available in each agency, and build on the good work already underway. Before we hear from each member of the panel, do any of our colleagues have a statement they wish to make? Mr. Bereuter? Mr. Smith? If not, our panelists may proceed in any order you choose. Please proceed, gentlemen.

STATEMENT OF THE HONORABLE RICHARD M. MOOSE, UNDER SECRETARY OF STATE FOR MANAGEMENT

Mr. Moose. Good morning, Mr. Chairman and members of the committee. I have summarized my remarks for delivery here, but I would request that full text be inserted in the record, if it please the committee.

On behalf of Secretary Christopher, I welcome the opportunity to appear before the committee to present our views on how the State Department, in cooperation with the other foreign affairs agencies, should be organized to serve the interests of the American people. In light of the importance of this issue, I do request on my own behalf and that of my colleagues that when the committee does introduce a legislative proposal, a consolidation plan as you had mentioned, Mr. Chairman, that each of us be given an opportunity to appear before the committee again to address the specific legislative proposal.

Chairman GILMAN. We will try our best to accommodate you on that.

Mr. MOOSE. Thank you, Mr. Chairman. A fundamental premise of the Clinton administration's foreign policy is that America must remain engaged in the world in order to advance America's enduring interest.

With the end of the cold war, we have a remarkable chance to shape a world conducive to American interest and consistent with American values. But, the post cold war world has also presented

us with a vast array of formidable new challenges from nuclear smuggling to massive trans-border migrations, challenges which our Government must be able to respond to with speed, flexibility, and adequate resources.

Our ability to maintain our leadership and to respond to events in this fast changing international environment rests on two pillars. The first is a capacity for effective policy formulation and co-ordination, led by the Secretary of State. Second, the experienced personnel and tested infrastructure of the Department of State, USAID, USIA, and ACDA. Here is what we have done to enhance the Secretary's leadership capacity and I hope that you will agree that it goes beyond tinkering at the edges.

In the last 2 years, we have streamlined and increased our productivity in very significant ways. We have reduced significantly the number of deputy assistant secretaries and senior officers. We closed 17 unneeded posts overseas. At the same time, we are operating 29 new embassies with no new increase in budget, actually, a decrease.

We have 1,100 fewer positions at stake now than in 1993, and we plan to continue streamlining both our organization and our processes. Only 2 weeks ago, Secretary Christopher introduced his ideas for restructuring the Department of State. Begun last September, the Secretary's strategic management initiative is, in his words, our process for forging a comprehensive strategy for change. Here are the major areas which Secretary Christopher has targeted for change.

First, the team concept will become the basis for strengthening coordination and interaction within the State Department and among the foreign policy agencies.

Second, while placing greater reliance on teams, the Secretary intends to push greater responsibility downward in the organization, further reduce the number of layers between himself and our front line experts, and eliminate overlap between functional and geographic bureaus.

Third, we will strengthen our overseas missions in order to enable them better to anticipate and respond to world events.

The Secretary has asked me, as the Department's manager, to accelerate the reengineering of administrative support activities, in order to reallocate more resources to diplomatic readiness, including the care and protection of our people and the modernization of our information technology.

Finally, our reporting and analysis, one of State's core strengths, will be retargeted and reoriented to take better account of the information revolution and the needs of decisionmakers, including the Congress. Seven employee working groups in the Department, headed by some of our most distinguished senior officials, both civil service and foreign service, are developing specific implementation plans for the strategy I have just described. They will complete their work on April 15, and implementation will follow immediately.

The second pillar, Mr. Chairman, of America's foreign policy leadership rests on the infrastructure and specialized skills of the Department of State, USAID, USIA and ACDA. Each of these for-

eign affairs agencies is proceeding vigorously with its own streamlining efforts and my colleagues will describe those to you.

But, while we work to strengthen the individual agencies, we are also working closely with one another to eliminate duplicative administrative activities, and to share one another's strengths and best practices.

As a result, we have already combined or agreed to combine 24 administrative operations. We are continually expanding the list. I will submit more material about these changes in coming weeks.

In a broader context, Mr. Chairman, under the auspices of the President's Management Council, all of the foreign affairs agencies, including the Foreign Commercial Service, Defense, and the Intelligence and Law Enforcement Communities, are currently designing the overhaul of the Foreign Affairs Administrative Support System, known as FAAS.

Our 266 overseas posts are the operating platforms for more than 50 U.S. Government agencies. Embassies today must be effective platforms for tasks as diverse as tracing the overseas sources of crime which afflict our streets, and of creating new American jobs.

Placing these platforms on an efficiently operating, soundly financed footing, is essential to maintaining America's ability to respond to challenges. Having reviewed the steps that we are taking to enhance the foundations of our diplomacy, I wish to address directly the consolidation concepts, Mr. Chairman, in which you and other committee members have expressed an interest.

As currently understood, these proposals would radically reduce or eliminate some agencies and consolidate residual functions into the Department of State. The National Performance Review, led by the Vice President, requires the leaders of all executive branch departments and agencies to subject their operations to the closest scrutiny and to search for better and more efficient ways to perform their missions. To that end, Secretary Christopher and his staff explored a wide range of organizational concepts, including the possibility of consolidating agencies and functions.

In that context, the Secretary's staff, like that of the other foreign affairs agencies, shared with the Vice President and the NPR team a range of ideas, including the consolidation concept. But, in the course of that review, the Secretary, himself, never endorsed any specific plan nor did he seek any preconceived outcome.

Following the examination of various alternatives, including consolidation, the Vice President concluded, as the committee is aware, that the core functions of the four foreign affairs agencies are as important in the cold war period as they were before, and expressed his belief that they can be most effectively carried out by independent agencies working closely with the State Department offices.

Mr. Chairman, the Secretary of State fully agrees with and supports that conclusion. Consolidation and reform, in our view, are not synonymous. We are for reform, but we believe that encouraging sustainable development, providing humanitarian assistance, advancing public diplomacy, and promoting arms control, continue to be essential components of our foreign policy.

In reexamining the strength and purposes of the agencies that support our overall policy, we have identified separate but complimentary missions that are best pursued by leaner, more effective, independent institutions under the overall foreign policy guidance of the Secretary of State.

The consolidation proposals to which the chairman has referred will not, in our view, produce savings as a result of administrative efficiencies. The large numbers being discussed represent potential program reductions. We should be clear about the difference between program reductions and administrative savings attributable to consolidation.

We believe that it would be a serious mistake for the Congress to assume that future demands and challenges to the United States abroad will be less or that the Department of State and the agencies are incapable of reforming themselves, and that a larger, poorer, unitary foreign affairs agency will be adequate to sustain our expanding purposes abroad.

For all those reasons, Mr. Chairman, we respectfully disagree with the conclusions which you have referred to in your opening statement. We remain ready, as always, Mr. Chairman, to work with you and the committee members to examine our reasoning and to explain further our belief in the continued necessity of vital, separate foreign affairs agencies. Thank you, Mr. Chairman.

[The prepared statement of Mr. Moose appears in the appendix.]
Chairman GILMAN. Thank you, Secretary Moose. Mr. Atwood.

STATEMENT OF THE HONORABLE J. BRIAN ATWOOD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. ATWOOD. Thank you very much, Mr. Chairman. Let me thank you for giving us this opportunity to discuss these complicated issues. You are asking, I believe, the right questions. These are questions that need to be explored, because we are in a different era. We are in the post-cold war period. It is clear that we need to review where we stand.

It is also clear that we need to do more with less. You have raised the question about how much less, by suggesting that our budgets are going to be cut. I think that remains to be seen, and we certainly will want to fight to defend the President's request.

These are complicated questions. I would remind you that it took approximately a year and a half to do the bottom up review of the Defense Department. It took 2 years to look at the intelligence community to come to some conclusions as to how those institutions should be reorganized, and I would suggest that it would be very dangerous to rush to judgment about how the foreign affairs agencies, as well, ought to be reorganized.

I can tell you from personal experience that the administration is seized with this issue. The Vice President is personally engaged, the President is personally engaged, as is the Secretary of State. So, I do hope that we will have future opportunities to present our views on these questions.

I also recognize that when we appear today, we can be made to appear to be defending the status quo. You made the statement that we cannot simply tinker around the edges. I would suggest to you that we have not been tinkering around the edges for the last

2 years, and the others will be able to explain what has been done within their agencies, as Undersecretary Moose has explained what has been done at the State Department.

But, I feel very good about what we have been able to accomplish at USAID. We have managed to be on the cutting edge of change, so I do not feel that we have been tinkering around the edges at all. When we came into USAID in May 1993, we saw that there were excellent people, excellent programs, a very vital mission to our country, but we had what, in essence, was a bureaucratic mess. We had disorganization. We had been stretched much too thin because of the acquisition of the challenge in Eastern Europe and the former Soviet Union, and we had to do something about it, so we did.

We basically used the principle of consolidation. Consolidated eight bureaus into four. We eliminated 90 organizational units. We have reduced our work force by 1,200. We are planning to reduce by another 830. We reduced 21 missions and we have now announced that we will reduce another 6 very soon. We reengineered the way we do business. We streamlined our operation by eliminating unnecessary bureaucratic steps. We focused on strategic objectives, and we narrowed them down to five missions.

We have tried to convert the Agency into an agency that can achieve measurable results. We have reported to you in our congressional presentation in a different way, asking you to hold us accountable for results, as opposed to how much money we have spent.

We have taken 11 accounting systems and created a single accounting system, so that we can better manage our finances and our pipelines. We have created a new procurement and acquisition planning system. And, we have also made an effort to be a lot more responsive to the foreign policy needs of our country and to the President and to the Secretary of State.

We created an Office of Transition Initiatives to allow us to get into transitional situations and work on the recovery of nations, a foreign policy goal of not only this administration, but the past one as well. And, we have responded to contingencies that have arisen, by reprogramming money within our budget, without damaging the development goals, so that we could handle contingencies in South Africa and Cambodia and Haiti and the West Bank and Gaza.

We have created a new concept in that we want to relate the relief work that we do, which is vitally important and supported by a vast majority of the American people, to recovery and then to the long term development efforts. The Greater Horn of Africa Initiative, the President's initiative in the Greater Horn area, is an example of that, and we have used that initiative and that new way of thinking to change the thinking of other donor nations, as well.

We have adopted a new strategic approach in each country, and we have tried to blend our private and public development efforts. We want to work with the host government so that the right framework is created to encourage free markets, entrepreneurship, private sector development, and we want to work with people as well as with the government, so that we can encourage them to become more democratic, more participatory in their own society, and

to develop the nongovernmental organizations that are so important in the development field.

We have also done a more effective job of donor coordination. Most of the time I spend on donor coordination, I am dealing with other development agencies of other governments that are led by ministers. Obviously, we have a hard enough time being last in the OECD, in terms of our contribution to development. Dead last, I might add, behind Ireland. It is hard enough to maintain American leadership.

I think it would be a lot more difficult to encourage other donors to be involved in issues that we considered to be in our national interest if we downgraded the development mission, which is the way it would be interpreted if USAID were merged into the State Department.

So, to sum up, I think we should be asking the question, what is it that can be gained from a merger of USAID into the State Department? I already feel as though I work for the Secretary of State. I recognize that under the IDCA legislation that was adopted in the late 1970's, I also report to the President. That legislation has never been fully implemented. I certainly would not go to the President around the back of the Secretary of State.

I feel that our Agency has been terribly responsive to the foreign policy needs. We have actually moved money around in a responsible way. I feel that the Secretary of State has supported our efforts to reduce our presence around the world, and I feel that there is much to be lost if we were actually to merge USAID into State. I think that the way we have attempted to manage our program would be lost as we enter into a larger organization.

I feel that subordinating the development mission and putting it on an equal plane with many other missions which are part of the State Department's fundamental missions would mean that it would not get the attention that it deserves. It would obviously downgrade the development mission at a time when I think we need it more than ever before. It would hamper our donor coordination efforts, because you would no longer have an agency head dealing with other ministers from other governments. You would have, presumably, an undersecretary under one of these plans.

You would separate the relief from the recovery from the development part of this continuum that I mentioned, and you would not be able, it seems to me, to relate as well the government mission to the people-to-people mission.

I think that we have not got an incompatible mission vis-a-vis the State Department, but the State Department's mission is different. Its focus is diplomatic relationships with other governments, and that drives people to do different things in a different manner. It is a different perspective.

With all due respect for the State Department, every institution has an institutional nature. Because of the primary mission of the State Department, its nature is different. It establishes a pattern of behavior, a certain series of biases that are reflected in the positions that they take within government.

Now, I think as a former Under Secretary of State for Management, I have proven that one can make the transition and come over to the development agency and become a strong advocate of

development. I know Dick Moose could do the same, but where he sits, he thinks differently, he has different challenges, he has a different mission.

I cannot expect, very frankly, the State Department, because of its nature, to care as much about child survival issues. I could not expect it to care as much about basic education or maternal health care or private sector development. It simply is not in the nature of the beast to be as concerned.

I am not suggesting that the current leadership of the State Department would shun these duties. I am simply suggesting that throwing those kinds of initiatives into a larger organization would mean that the development mission might get lost, if not now, then in the future. I think that is a very, very serious move for the United States to make at a time when sustainable development is an extremely important mission for our country, because it treats conditions that cause instability. It treats conditions that are causing us to spend a lot more money on peacekeeping in our military and on refugee assistance and disaster relief and the like. In addition, it seems to me, it creates opportunity for American business by creating new markets in the developing world.

So, I think it is vitally important. It is an investment in our future, it is an investment in economic growth for our own country, and I feel at this time that the mission needs to be accentuated, not downgraded.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Atwood appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Atwood. Dr. Duffey.

**STATEMENT OF THE HONORABLE JOSEPH D. DUFFEY,
DIRECTOR, U.S. INFORMATION AGENCY**

Dr. DUFFEY. Thank you, Mr. Chairman. I appreciate the opportunity to appear before the committee and ask that my full statement be entered into the record.

I would like to very briefly summarize that statement at this time.

We are, in many ways, just beginning a conversation about America's role in the world at the end of the cold war. We are asking questions about our vital interests, about the relationship of resources available in terms of the priorities we have here at home and overseas. The questions, I think, do not always have to do with doing more. Sometimes, they have to do with doing less and doing it better.

But, as that conversation is beginning, I believe that the question of organization poses the possibility of diverting us from real attention to the definition of our role in the world and the mission of the agencies before you.

I would like to quote from Vice President Gore's letter to the Congress in February, when he looked at the question of consolidation. There are a couple of smoke screens involved here. Number one is the suggestion that we are talking about fully independent agencies. The agencies that we are talking about are related. Those of us who are at this table meet and begin our day several times a week with the Secretary of State, discussing the common mission

we have and the ways in which the agencies work together. Personnel move back and forth across the agencies. The organization, I think, has wisdom in it, not because it is independent and separate, but because of the flexibility and the management strength of the specialties and special missions of each of the agencies.

This is what the Vice President said when he wrote to the Congress in February:

I have found that consolidation by itself would not produce significant savings. Real savings will result from hard decisions about what we no longer need to do. What can be eliminated, what can be privatized. I found that by focusing on specific areas, we have the opportunity to realize significant savings without incurring the costs of a large scale reorganization. I have therefore ordered that we assess the need for programs, eliminate overlap and duplication and establish common services where that makes sense.

I also weighed the potential disruption that merging these agencies into the State Department would impose upon the conduct of foreign affairs, and the strains it would place on the State Department's management capacity. I found that such a merger would undermine the very substantial reinvention activities being undertaken by each of these agencies. In short, I reached the same conclusion that so many private companies and organizations have reached. Moving boxes is no substitute for real change.

At USIA, we began not after November, but 2 years ago, an effort to address the question of real change. The first thing we did was not to talk about our organization as much as our purpose and our mission. We looked at the changing structures of the flow of information in the world. We looked at the changing role of the United States and the changing sense of its vital interests.

We wrote a major paper with many of my colleagues participating. We circulated it to more than 2,000 people inside and outside the government in the summer of 1993. We carried on correspondence and conversations with some 200 people who responded to that research and effort to redefine and understand our mission. Then we began internally to work on the its organizational implications.

I will always be grateful to my colleagues at every level in USIA, men and women who worked with the agency for many years, who participated and continue to this day to participate in that effort. I want to summarize where we are.

If less than a decade ago we would be sitting in this room talking about USIA, we would have been talking about leading an ideological struggle in a bipolar world against Communism and battling a major disinformation campaign financed by a major world power.

Today, those are not the realities that we confront. Not that what we confront is less dangerous or threatening, but it is a different world. Let me begin, and I have prepared some charts here. Although I know they will be difficult to read, they summarize some of these points and I hope will give you the opportunity to come back and raise questions later.

Let me begin with our understanding of the mission of the U.S. Information Agency, which is to inform and influence foreign publics in promotion of U.S. national interest, and to broaden the conversation and dialog between Americans, their institutions and their counterparts around the world, to explain and advocate our policies in terms that are credible and meaningful in foreign countries, to provide information about official policies of the United States and about the people's values and institutions which shape

those policies, to bring the benefits of international engagement to the American citizens and institutions, by helping them build strong, long term relationships with their counterparts overseas, and to advise the President and other policymakers on the way in which foreign attitudes will have a direct bearing on the effectiveness of U.S. policies.

That mission is no less important now. It must be redefined, as we have done so, but no less important than it has ever been. The fact is, what foreign publics around the world—and they are now far more critical in many cases than their governments—what they think and do can help and harm Americans, their lives, their livelihoods and their well being.

There are a number of resources that USIA uses to support our foreign policy goals. International radio and television broadcasting, targeted information materials, which cut through the white noise of information overload and direct attention to American policy, educational and cultural exchange programs in cooperation with local institutions, citizen groups and nongovernmental organizations in all 50 States, assessments of foreign public opinion and its impact on U.S. foreign policy, and most important, the officers who serve our Government in USIS posts around the world.

The next chart, I would like to ask you to direct just a moment's attention to, because it gives a picture of what our embassies and our representation really looks like overseas. The top part of this chart, the part that is in orange, represents the 150 Account USIA, State and USAID. Half of that chart—and we are now talking about the people who represent us, staff our embassies around the world—represent other agencies of the government not in the 150 Account and not being discussed today: The Department of Defense; the Department of Justice, it has as many staff members around the world as USIA does, 5 percent of the total representation, Agriculture; Commerce; Transportation; the Treasury and other agencies.

These are the representation and interests overseas, and I want to come back at the very conclusion of these remarks to indicate why looking at that chart should make us pause as the Vice President did about this kind of superstructure and mass bureaucracy that we are talking about with what has been called consolidation.

I want to pause just for a moment here to reflect upon the reinvention at USIA since 1993, not since November. USIA is responsible for 6 percent of the resources of the 150 Account. But, of the savings that the administration has put forth in its reinvention effort, USIA alone has accounted for 58 percent of those savings in the 150 Account. We are coming before the Congress this year with a request for \$120 million less than we spent last year. Much of this is due to the consolidation of broadcasting and other efforts that have been made to reshape the bureaucracy, the offices, the programs.

We have eliminated magazines and exhibits and looked to other programs to redefine them. In fiscal year 1989, our savings were \$10.4 million, 158 positions. In fiscal year 1996, \$6.5 million, 75 positions. There are details on these charts of the way in which we have gone about this effort.

This is consistent with what President Clinton announced 2 years ago, a plan to reduce the Federal deficit, to make investments in areas of critical national interest in this country, health of children, education, other areas that were neglected during the cold war, and to reassess our role in the world and to build organizations and structures that can support that world in a realistic way under the present conditions.

The USIA has made these changes with, at every point, the involvement of the men and women who work for the agency, who know its work, who care about it. It is painful and difficult to do it in a humane way and to respect the contributions of people to provide for retraining, to have them involved in the effort that we have undertaken.

I feel that whole effort will be thrown off course if we are put in one vast hierarchical bureaucracy.

My final comments then relate to why a separate structure working under policy guidance from the Department of State is the most effective way to approach the question before us. This is why, I think, the Vice President came to the conclusion he did and the administration has taken this position that organizations become more effective or management becomes more effective not by simply moving boxes. It comes from organization of coherence, a clarifying of the mission, from credibility and flexibility.

So, the points I would make in arguing for a separate agency, working closely with the Department of State and other agencies here have to do first with coherence. We just looked at a chart indicating our representation around the world. Fully half of it is not in any of the organizations talked about here.

The USIA serves all of those organizations. Its purpose, when conceived by President Roosevelt, and with further reflection from President Eisenhower, and then President Kennedy, was to provide a way for the U.S. Government to speak with one voice abroad. So, this is an agency that does work and tries to represent all the constituencies and agencies of the government that represent us and work on our behalf overseas.

Second, credibility. Broadcasting information, exchange programs, other activities that USIA is engaged in, benefit in large measure from being seen as separate from official government-to-government interactions.

Our Government seeks many objectives in its foreign policy. Sometimes it is our intention one with the other. USIA is an agency that does not have to confront every day the official government-to-government representation that is critical to the operation of the State Department, and therefore, is able to pursue a wide range of longer term interests in a credible way.

Finally, flexibility. I have suggested that I do not think that USIA could have moved nearly as rapidly to address the concerns of the President and the Congress and the nation to this point, in terms of change, had we been involved in a large hierarchical organization. We have the ability now to meet and talk with a broad range of groups and individuals outside of formal government-to-government channels and to work internally to deal with the challenges of reduced resources and a new mission.

In short, it seems to me that the proposal that is before us to put these separate and related institutions into one large, rather hierarchical organization, is absolutely counter to everything we know about effective institutions and management in the business and organizational world.

It would work against our effort to achieve clarity and change as we reassess and define our role in the new world.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Duffey appears in the appendix.]
Chairman GILMAN. Thank you, Dr. Duffey. Mr. Holum.

**STATEMENT OF THE HONORABLE JOHN D. HOLUM,
DIRECTOR, ARMS CONTROL AND DISARMAMENT AGENCY**

Mr. HOLUM. Thank you, Mr. Chairman. Like my colleagues, I respectfully request that my full statement be included in the record.

Chairman GILMAN. Without objection.

Mr. HOLUM. Chairman Gilman, I very much appreciate the opportunity to testify today. Your support, Mr. Chairman, along with Mr. Hamilton and other members of the committee last year, in enacting the Arms Control and Non-Proliferation Act of 1994 reflected a strong bipartisan commitment to a revitalized Arms Control and Disarmament Agency as the nation's lead agency for negotiating, implementing and verifying arms control agreements.

The U.S.-Soviet arms race is over, but we are just now bringing formal arms reduction agreements into force, and their implementation will take years of careful attention. Moreover, the U.S.-Soviet competition has been succeeded by the looming danger of proliferation of weapons of mass destruction to more countries, and now to terrorists, as well, as we have seen tragically in Japan.

So, ACDA does not have a reduced workload. As the President stressed in his March 1 address to the Nixon Center in 1995, we face the most ambitious agenda to dismantle and fight the spread of weapons of mass destruction since the atom was split, including, of course, most immediately, the conference starting in just 2 weeks in New York to save the Nuclear Non-Proliferation Treaty from an uncertain future.

Certainly, the world has changed, but given the remaining dangers of Russian over-armament and the new dangers of the post-cold war world, ACDA is a relic today only if nuclear, chemical and biological weapons and ballistic missiles are only a rumor and proliferation just a bad dream. Make no mistake, the issue of ACDA's future, as with the other agencies, is a question not of form alone, but of substance. Your decision will have a profound effect on our ability to advance the nation's central goals in arms control and nonproliferation.

In light of global realities, proponents of ACDA's disappearance usually assert that they want to serve the same causes, only better. But, whatever the intent, the actual inescapable effect would be to drastically undercut these missions.

It has been said, for example, that if ACDA is folded into the State Department, nonproliferation will be the responsibility of an Under Secretary of State, reporting directly to the Secretary, so it will get the attention it deserves. In fact, the ACDA Director already reports directly to the Secretary of State.

In contrast, under the plan advanced by Senator Helms, for example, arms control and nonproliferation would be assigned to an Assistant Secretary of State, 1 of 20, three layers down from the Secretary, and would compete for even the Under Secretary's attention with such matters as humanitarian assistance, refugees, migration, international narcotics and political-military relationships.

Moreover, while reporting directly to the Secretary of State, the ACDA Director today also reports directly to the President of the United States; it is that access, carrying with it the role of a full participant in the interagency process, where decisions are made and policy decided, that ensures that these issues truly receive high level attention.

The Helms' plan would cutoff that reporting line to the President and expel ACDA from the interagency process. ACDA brings to that table first the depth and concentration of expertise not found elsewhere. Arms control is usually highly technical. Quite literally, it often is rocket science.

Like the U.S. trade representative, we use diplomatic methods, but in a highly specialized realm, applying not only negotiating ability but scientific expertise, specialized legal knowledge, and well honed intelligence and verification skills to a precise, well defined mission.

ACDA also brings to the table an unconflicted perspective for arms control and nonproliferation. That distinct viewpoint, I submit, is even more important now than during the cold war. When arms control was the dominant element of our relations with the Soviet Union, there was little risk it would be overlooked. Now, however, we are more often confronted with the question whether to press nonproliferation standards with scores of countries, virtually all of which the United States has many important issues at stake besides arms control.

In 1992, the Inspector General cited one such case relating to Pakistan's nuclear program as an example of why ACDA should not be eliminated, but retained and revitalized. In 1994, based on experience in Iraq, the Congress decided that ACDA should have a larger role in reviewing export licenses to reduce the likelihood that commercial or country relations considerations would overrule nonproliferation concerns.

Now, if ACDA's functions were made the portfolio of an Assistant Secretary of State, its interagency voice silenced, and its arms control voice muffled in a larger institution, the unavoidable result would be to de-emphasize and subordinate arms control and nonproliferation to other concerns, just when those issues need a strong voice more than ever before.

Another side to ACDA's role requires emphasis. Notwithstanding ACDA's distinct input as policy is decided, we are part of the Secretary of State's team and operate under his foreign policy guidance. We are housed in the Department of State. Once our internal policy deliberations are completed, the United States speaks with one voice. We work closely with the Department of State and are further integrating our operations, both in administration and substance, while protecting independence where it has a purpose.

ACDA is already a small, lean agency. We have just 250 employees and a core budget of \$45 million. In constant dollars, that is

the same as it was in 1966, but in that same 30 year timeframe, ACDA's missions have grown by more than five times. As set forth in my statement, further streamlining, consolidation and removal of unnecessary duplication is continuing under the Vice President's National Performance Review. That process will give taxpayers value for their money by producing less hierarchical, more efficient government.

In contrast, legislatively imposing a one size fits all mega-bureaucracy would embrace the dubious premise that as things grow bigger, they become more efficient. Indeed, it would contradict the basic principles of streamlining by increasing red tape, adding bureaucratic layers and muddling missions. It would not be simply moving boxes, but a substantive decision to deemphasize arms control and nonproliferation in a dangerous world.

I would urge the committee to support a strong, separate streamlined and effective agency to pursue one of the nation's most urgent post-cold war missions. Thank you very much.

[The prepared statement of Mr. Holum appears in the appendix.]
Chairman GILMAN. Thank you, Mr. Holum.

I want to thank our panelists for their review of what they have been doing and what their recommendations are. It certainly will be important as our committee reviews potential reorganization measures.

Secretary Moose, within the State's large Bureau of Political and Military Affairs, the PM Bureau, was a Deputy Assistant Secretary for Arms Control, a Deputy Assistant Secretary for Non-Proliferation, a Deputy Assistant Secretary for Export Control within the Bureau for Nuclear Energy Affairs, Regional Non-Proliferation, Chemical and Biological Weapons and Missile Non-Proliferation, Defense trade controls, Export Control Policies, Strategic Policy Negotiations and Arms Control and Implementation.

The State's regional bureaus also handle arms control and nonproliferation issues. Can you tell us how many people in State are responsible for arms control and nonproliferation issues, and does this somewhat overlap with the Arms Control Agency?

Mr. MOOSE. Mr. Chairman, I believe that the overall number of persons involved with arms control, nonproliferation issues in the Department is about 120 or so out of the—120, 150 or so out of the total of approximately 265 persons in the Bureau of Political and Military Affairs.

Now, in addition, outside the Bureau of Political and Military Affairs, in the regional bureaus to which you referred, I do not have a precise number on that, but I would imagine that there are another perhaps 20 or 30 persons outside the Bureau of Political and Military Affairs who are addressing, in one way or another, with some part of their time, arms control and nonproliferation issues.

Chairman GILMAN. Secretary Moose, I would appreciate it if you could provide that information to us for the record, and it will be made part of the record at that time.

Mr. MOOSE. I will certainly do that, Mr. Chairman.

[The information follows:]

There is only minimal duplication of effort between State and ACDA personnel working on arms control and nonproliferation. Within the bureau of Politico-Military

Affairs there are 107 professional and clerical positions involved in nonproliferation and arms control functions.

In regional bureaus within the Department, there are four political military officer positions involved in the more general PM functions and are assigned to the country desks within the bureaus. In EUR, there are 14 political military positions involved in PM issues, all in RPM (European Security and Political Affairs).

Chairman GILMAN. Do you feel there is some overlapping?

Mr. MOOSE. Yes, there is some overlapping, and I think not all overlapping is bad. It is rather like cholesterol. Some cholesterol is good and some cholesterol is bad.

Chairman GILMAN. Most of it is bad. [Laughter.]

Mr. MOOSE. Well, certainly that is true, but I think there are some other ones in there that do good things. Now, I am not a big one for arguing the virtues of creative tension, because I think that is often a rationale invoked to obscure conflict. But, in fact, these matters of arms control nonproliferation are among the most complex that we deal with in the Department.

They do not lend themselves to clear cut objective judgments. I think there is good to be said for having on occasion countervailing expertise brought to bear on the same subjects. There can be legitimacy in more than one perspective on a given issue.

So, I think some overlap is justifiable, but I think the duplication of functions, where there is no value added, certainly ought to be eliminated. We have this area under intensive review. It is one that the Vice President specifically identified in his press release as being one that needed further examination, and that is ongoing precisely to eliminate the needless and nonproductive overlap.

Chairman GILMAN. Thank you.

Director Holum, how do you feel about that overlapping?

Mr. HOLUM. Well, one thing that strikes me, and I will echo what Secretary Moose said about the ongoing process to examine this, we are coming to terms with it, but I am struck in this current period by the size of the mission we have, particularly in the nonproliferation area, where we are routinely now, after the cold war, given the availability of technology around the world, addressing proliferation concerns on a routine basis, where they used to be the exception.

So, I tend to think that as we confront those missions with shrinking or static resources, that we can use all the people that we can get. Where they sit may be adjustable.

In addition to that, I think the Secretary of State, because ACDA has an independent policy voice in the interagency process, should and would want to have a small core of experts to advise him independently from ACDA's advice on these issues, so he can bring the State Department perspective to bear.

Chairman GILMAN. ACDA could not supply that kind of advice to the Secretary?

Mr. HOLUM. Well, ACDA, in fact, does a great deal of that. We are not talking about a large number of people. It is more a sounding board that he maintains, a core of expertise, rather than comprehensive expertise.

Chairman GILMAN. Thank you.

Dr. Duffey, according to your agency, our Government has no less than \$2 billion in exchange and training programs in 63 different Federal agencies. Can you tell us what is being done to end

the duplication and overlap in 63 agencies that run their own exchange programs? If USIA or State were responsible for overseeing the government's exchange programs, to what extent could administrative or program duplication be eliminated?

Dr. DUFFEY. Mr. Chairman, that inventory of programs is something USIA was charged by the Congress to prepare, and it does indicate a very significant growth in recent years. One of the reasons for that, and actually, as I have thought about it, it heartens me, because it shows that the exchange activities which USIA has been engaged for more than 40 years, are now being recognized as extremely important. It is through exchanges and training that we encourage new, independent and open economies around the world. The exchange mechanism appears to be a way of assistance that is, in many cases, more effective than other things we do.

We have proposed to the Vice President's office some considerations that have to do with savings that could be achieved through consolidating some of those exchanges and also eliminating duplication. I believe the Vice President's office is pursuing now an analysis, and will bring to the Congress some proposals as to how that might be achieved.

Proliferation has been very rapid in the last half decade, and we need now, I think, to consolidate both for cost, but also for some programs that duplicate each other.

Chairman GILMAN. Thank you. My time has run, but just one other question.

Brian Atwood, when USAID was established initially, our Nation provided 60 percent of the world's development assistance. We built up an extensive overseas staff.

Today our Nation provides about 20 percent of the world's development assistance, and the USAID staff does very little hands on implementation. Instead, USAID overseas the work of contractors who do the actual implementation.

These changes would seem to argue for substantial reform in the numbers of our USAID posts abroad. Since USAID is primarily acting as a broker of U.S. funds, why should not the Congress take the additional step of consolidating the agency, to make certain that the projects directly support our foreign policy?

Mr. ATWOOD. You are absolutely correct in suggesting that we have managed through good donor coordination to convince other countries to come into this business. We now only provide about 17 percent of all of the Official Development Assistance in the world.

That is why we are reducing our staff. That is why we have reduced our senior staff by 25 percent, why our goal, over the next year, is to reduce our overall staff by 25 percent. We have already reduced by 1,200. We are going to reduce by another 830.

We have announced the closing of 26, 27 of our missions overseas. We fully intend to work our way out of a job in Eastern Europe and the former Soviet Union, perhaps more quickly than some other places. We intend in the future to be letting Congress know exactly how long we expect to stay in a country. We may have to adjust that, based on the development progress being made, but we do intend to reduce responsibly.

But our field missions are still vitally important vehicles for our leadership. We do not use those field missions just to aid other

countries. We use them to leverage money from other countries. We are the only development agency in the world that has these kinds of field missions. Even the World Bank, with all of the money that it handles, has representatives scattered around the world, but essentially, they send people in on a short-term basis to try to find out what is happening in a country. I think that we do inform the development process more than any other development agency in the world.

If I had to take the reductions, I frankly would rather see them taken in programs than in our field presence, because the relationships we establish with the people of the country and the governments enable us to make much more sense out of what we do overseas.

So, we are reducing. I think we are reducing in a responsible way, and we do not want to lose the leverage we have over other governments.

Chairman GILMAN. I might note that even under your current plan, the reduction, you will still be employing over 5,000 in 50 some overseas posts, is that correct?

Mr. ATWOOD. I am not sure about your numbers, Mr. Chairman. In the Bush administration, 27 months ago, the Agency had 11,600 employees. We now have 9,400. I am not sure what numbers you are using.

We are counting our entire workforce, not just the direct hire Americans. We are also including the personal services contractors that work directly with us as employees.

Chairman GILMAN. I think the 5,000 came from the direct hires category.

Mr. ATWOOD. The direct hire total is a little less than 3,000.

Chairman GILMAN. Mr. Wynn.

Mr. WYNN. Thank you, Mr. Chairman. Dr. Duffey, it is my understanding that USIA, whose fiscal year 1995 enacted appropriation represents roughly 6 percent of the so-called Function 150 international affairs account, nevertheless, provided approximately 58 percent of the savings claimed by the administration, as a result of reinventing government initiative.

How would the proposed consolidation into the State Department affect your reinvention efforts?

Dr. DUFFEY. We have approached reinventing the way Vice President Gore has described it. That is, you involve the men and women who have the expertise and specialty to do the work, who show a seriousness about reductions. You do it in the effort to redefine the national interest, to shift your programs.

I brought with me today and the chairman has some copies, a publication called Trade with America, published in about six or seven languages. It was marginal to USIA's activity 5 or 6 years ago. President Clinton has said that the strengthening of our own economy, jobs and investments is an important priority. USIA has moved its programs in that direction.

I believe that this kind of effort in which we are still engaged at every level of the agency, which involves looking at what the work place looks like, looking at opportunities for retraining for employees, working on the removal of mid level managers and the configuration of offices, are the kind of thing that simply could not con-

tinue—would really be hampered—I should not say could not continue, but would certainly be very hampered in a large kind of superstructure.

Mr. WYNN. Who is the division reporting to, or having to report to?

Dr. DUFFEY. Well, I am now directly accountable to the Secretary of State and to the President, and I believe USIA's record for working with the administration is better now than it may have been at any time in the past.

But, we are able to pursue questions like the definition of our mission and reorganization of our work much more efficiently, I believe, in the present structure.

Mr. WYNN. Under a Helms like structure, how do you envision it would operate?

Dr. DUFFEY. Well, I think we would be choked, as any very large bureaucracy is with the very size, the number of clearances and procedures, the size of meetings.

Mr. WYNN. How many people would be between you and the Secretary of State?

Dr. DUFFEY. Well, the Under Secretaries report directly to the Secretary, but I report directly to the Secretary now. I think it is a question of a horizontal line or a vertical line.

But, my relations with the Secretary now have to do with policy, cooperation. They do not have to do with a hierarchy with structural questions that come up day after day about organization.

Mr. WYNN. OK. Mr. Atwood, one of your statements, I believe, was something to the effect that you were very proud of the measurable results that you had attained, and this was one of the rationales that you gave for believing you ought to retain your independence.

Could you talk about two things? One, some specific measurable results that you would cite to defend your agency's independence, and second, if you believe that there is a fundamental incompatibility working with the State Department, what would that be?

Mr. ATWOOD. Let me take the second question first. I do not think there is an incompatibility. This is an administration that does feel that development is a very important part of our foreign policy, as did the last administration. So, it is not a question of being incompatible.

What I was suggesting was that the Department's mission is different from that of the Agency for International Development, in the sense that its mission is basically good diplomatic relations, negotiating, handling crisis situations.

Ours is a more programmatic mission. We manage programs. They have ongoing, permanent relationships with foreign governments. While our relationships are not intended to be permanent and have specific goals and objectives. So there is a fundamental difference between us. It seems to me that the thing works very well the way it is, whereby we operate under the foreign policy guidance of the Secretary of State, as Dr. Duffey has indicated. We meet with him frequently, three scheduled meetings a week. Now we are having an additional meeting for the 150 Account agencies, where we discuss particular problems that we all have, and we lis-

ten to the Secretary of State, so that we understand what his foreign policy priorities are.

So it is not incompatible, it is just that there are different missions. We are under that foreign affairs umbrella.

What we are trying to do in establishing a results orientation at the Agency is to create the systems that will enable us to measure those results and to use indicators to measure progress toward achieving them. We have done this very well in the population area. We look at such issues as contraceptive prevalence and fertility rates and the like.

We are trying to do it in the more subjective areas like democracy. How do you actually know whether you have made progress in the democracy field? How do you know whether you made progress in the economic growth field?

You asked me what we have done. In places like Egypt, for example, where we have had ample amounts of money to spend, we have had a 50 percent drop in the infant mortality rate. Eighty thousand children are saved each year as a result of our programs. Fertility rates have gone from six to four. There has been a 50 percent increase in agricultural productivity. Twenty-three million Egyptians have access to clean water, and 1 million Egyptian children are enrolled in schools that USAID constructed.

Now, that is a program where we spend a lot of money. But, I will tell you today that if we had not been investing that money in Egypt in the last 20 years, Egypt today might be another Algeria or another Iran. It has been a good investment in development and in peace.

Chairman GILMAN. The gentleman's time has expired.

Mr. WYNN. I would like to ask unanimous consent to have Mr. Atwood submit that kind of data on some of his other specific—

Chairman GILMAN. Without objection.

[The report appears in the appendix.]

Mr. WYNN. Thank you very much, Mr. Chairman.

Chairman GILMAN. Mr. Payne.

Mr. PAYNE. Thank you. Let me first of all say that in a conversation on Friday that I had with President Clinton with Ambassador Albright and Tony Lake, Mr. Talbott and Brian Atwood and others who were there, the President made it very clear that he certainly supports these three agencies remaining separate.

I am curious and I might ask if I have time about the Times calling the plan the Christopher-Helms' plan. I just would like to maybe ask about the Christopher part.

But, let me just ask Mr. Atwood real quickly, Mr. Atwood, would you tell me, in presenting his reorganization proposal, Senator Helms claimed that USAID's somewhat autonomous status has prevented the United States from assuring that our foreign policy assistance programs are representative and responsive to the evolving U.S. policy and interest in post-cold war era.

Could you quickly respond to Senator Helms' criticism, that you are out of touch with our goals? I got three questions in about 5 minutes.

Mr. ATWOOD. Thank you, Mr. Payne. I do not know quite what he means, and I did not hear in the hearings that we had at the Foreign Relations Committee any examples of our not being re-

sponsive. There were a lot of concerns that we might somehow be unresponsive, but I believe that we have been very responsive.

I know there were a great many frustrations during the last administration that USAID was not responding quickly enough to the opening in Eastern Europe and the former Soviet Union. Now, to give credit to USAID, they were mostly present in the developing world. They had to, without any additional operating expenses, take people and move them into that region. That took time to build that up. I think they might have been more responsive if, frankly, they had a better bureaucratic arrangement.

Nonetheless, there were great frustrations. I think those frustrations continue on today, and continue the myth that USAID is not responsive to State Department foreign policy needs.

Mr. PAYNE. Thank you very much.

Dr. Duffey, I strongly believe in exchange programs, and I know that comes under your jurisdiction. In your view, how would these programs fare in competition for scarce resources, if this is thrust into this superagency?

Dr. DUFFEY. Mr. Payne, I think that as I indicated earlier, the day-to-day attention of the State Department must be given to government-to-government relations the longer term or midterm issues. We know now that the impact of exchanges can be very immediate and very effective, and we are searching for ways to pursue our interests.

I believe these programs are more liable to be both effective, in terms of the reasons I mentioned earlier with credibility, but also to receive an appropriate share of funding, if they are in an agency that is related in a horizontal way, working with the State Department. There are those who fear that many of these issues in terms of public diplomacy would receive less attention in the day-to-day pressure of government-to-government relations.

Chairman GILMAN. The committee will stand in short recess for the vote and come right back.

[Recess.]

Mr. BEREUTER. The committee will come to order. I want to thank our witnesses for their testimony here today, and until Chairman Gilman returns, he will recognize himself, since I was supposed to be up next.

Dr. Duffey, for the record, I would like to ask you to supply an answer, and it relates to the fact that according to the National Export Strategy Report, USIA devoted \$50 million to export promotion in 1993. Now, our staff has been trying to get the information from your staff without success about how you are spending that money on export promotion.

I would point out, it is more than the Trade and Development Agency itself is receiving in appropriations, and it strikes me as very questionable if you ought to be involved in that activity, but I would like to have you get a chance to respond in writing on that.

Mr. Atwood, I appreciated your testimony as well as Secretary Moose, because I asked you to be candid with the State and USAID responses to the proposed reorganization effort that has been proposed on the other side of the hill. Mr. Atwood, I want to repeat some parts of your testimony that you did not get a chance to cover in your summary.

You mention that OPIC, Ex-Im Bank and Trade and Development Agency are apparently to be folded into the reorganization effort. I would like the response of Secretary Moose on that, if he believes that is what is proposed.

But, with respect to USAID specifically, you point out, Mr. Atwood, that the development work would be picked up by State Department's various regional functional bureaus, and by Non-Governmental Development Foundation. This new foundation would provide grants to nongovernmental and private voluntary agencies, and perform much of the actual development work on the ground. You suggest that contrary to the stated intention of its framer, it does not promote coherence, it promotes fragmentation. Just as the nexus would be broken between trade and development and disaster relief and long-term development, so too would the connections be broken between development assistance and overall U.S. policy.

Later on, you suggest in addressing the foundation that is proposed that only two of the State Department officials would serve on the seven person foundation board and that "Once a private organization receives a grant, it would be free to offer it in the country as it chooses." The potential for independent operations, for the misallocation of funds, and for simple fraud would increase tremendously as a result of the mechanism of accountabilities as they disappeared.

The current emphasis on managing for results, on focusing not just on what we put into the foreign assistance system, but what would come out of it would disappear. Then, you point out later that already USAID's funding of nongovernmental organizations has grown from 19 percent in 1985 to 32.5 percent in 1994. I would welcome any elaboration you might have on the shattering of coherence or the fragmentation that you think would result specifically with respect to USAID being replaced by a foundation.

Mr. ATWOOD. Yes, thank you, Mr. Bereuter. The fragmentation would result from the development efforts that are handled on a government-to-government basis. I believe under the Helms' plan, although all I am going on is a press release and a press conference, that those programs would be handled by the State Department regional bureaus. The private development efforts would be handled by this private foundation through American PVO's. Then, the disaster relief aspects would be handled by yet a third organization in the State Department.

I believe that does fragment what it is we have been trying to do. We have been trying to relate the relief work we do to our long-term development and our recovery work. We have been trying to relate our government-to-government work to our people-to-people work, our NGO work. We have been trying to create a system wherein we can measure results by country. I see that as being totally disrupted by a merger with State.

I see our efforts as being responsive to the foreign policy needs of our country, for example, when we know that it is vitally important that the election in South Africa go smoothly, so that we move funds from countries where they are not spending the money as effectively, and move it into South Africa for the election process. We could not just reach into a private foundation and take money

away from that foundation without its board's approval, and move it into a contingency situation.

I think that our efforts to try to work ourselves out of work would be hampered, because a private foundation would have every interest in perpetuating itself. We think that our goal is to try to work ourselves out of work in these countries, and I think it would be exceedingly difficult to convince other undersecretaries at the State Department, for example, that we should move away from a country when, in fact, the pressures are to maintain good relations with a country inside the Department.

Mr. BEREUTER. Mr. Atwood, is it not more difficult potentially for the President to be able to cause the executive branch to respond quickly and effectively to such a crisis, if it is moved into a foundation?

Mr. ATWOOD. I just think it would be impossible, and I think that we would hamper this President and future Presidents.

Mr. BEREUTER. Please continue if you have other things to say. I did not mean to interrupt your train of thought. Is that the fragmentation, basically, that you are concerned about?

Mr. ATWOOD. I am concerned about this proposal. I am also concerned about proposals to merge USAID wholesale into State, because I believe that nothing would be gained and a great deal would be lost in terms of the managerial integrity we have over our programs.

Mr. BEREUTER. One of you gentlemen cited the Vice President and his support for sustainable development in the post-cold war era, saying it is just as relevant. I must say I disagree with the distinguished former Secretary of State who suggested that sustainable development is not a national security interest.

Now, it depends, of course, on how you define national security, but indeed I think in many ways what happens in some of these economies and some of these countries, unless we move to State development, it does result in national security problems for the United States, so I take exception to that type of construction.

I did not start my clock on time, so I have probably exhausted it. Is there anything else that you—

Mr. ATWOOD. Mr. Bereuter, I just would like to comment, because Mr. Brownback last week asked me a question about Secretary Baker's position, and I did not answer fully. Secretary Baker seemed to be asserting that trade and investment in capital flows could compensate for the loss of concessional grant assistance or development assistance.

I simply want to say that we very much think that capital flows are a part of the development process, but it is our goal in doing sustainable development to create the enabling environment that would attract those capital flows. Successful development must precede trade and investment. I think that is where I disagree substantively with what Mr. Baker was saying.

Mr. BEREUTER. Well, for the record, I was referring to a different distinguished former Secretary.

Mr. ATWOOD. Well, someone equally distinguished, I am sure.

Mr. BEREUTER. Secretary Eagleberger's comments were quoted by Senator Sarbanes in a hearing on March 30, 1995.

The gentleman from Indiana is recognized for 5 minutes.

Mr. HAMILTON. Thank you very much, Mr. Chairman. Good morning to you. I apologize for being late. I know you understand those things happen around here from time to time.

Mr. Moose, when are we going to get the administration's plan on reorganization?

Mr. MOOSE. Mr. Hamilton, I outlined in my opening testimony a range of activities which are going on not only in the Department of State, but in the other agencies. In short, Secretary Christopher has launched us on a plan in cooperation with NPR and the Vice President and the other agencies to reinvent ourselves, and to create effective, efficient foreign policy teams, and that, sir, is the Christopher plan.

Mr. HAMILTON. When do we get it?

Mr. MOOSE. It is in my written testimony, Mr. Hamilton.

Mr. HAMILTON. What is the date?

Mr. MOOSE. It is today's date, sir.

Mr. HAMILTON. No, what is the date we get the reorganization plan?

Mr. MOOSE. We do not have a reorganization plan. We have a plan for revitalizing our internal processes. We have under review some of the internal structure, but I do not expect to put forward a reorganization plan, as such.

Mr. HAMILTON. Look, we are going to be confronted here with a plan in early May. I do not know exactly what that plan is going to be, but the chairman of the committee—he can speak for himself, of course—has conceptually, at least, as I understand it, endorsed the Helms' proposal. I am sure he has some reservations about it here and there.

He can speak to that, but we are going to be confronted with something like the Helms' plan in legislative form in May, early May. Now, if the administration does not have a plan to counter it, then you are working at a very great disadvantage. We have to have something specific on our side to put forward our own constructive ideas and proposals.

On its surface, the Helms' proposal is very attractive. He is trying to save money and promote efficiency. That is right with the mood of the American people today, and he is trying to reintegrate functions, as I understand it, so that the State Department has a coherent voice in American foreign policy.

Now, both you and I, I think, have very grave reservations about the details of that plan as we understand it. I have not seen it in any greater detail than in general principles. But, what I am concerned about is being confronted with a specific plan here in this committee, that has great appeal—saving money, promoting efficiency, consolidating foreign policy functions, and we have nothing except a statement of general principles.

If you think we are going to win that battle, I think you are very sadly mistaken. We had better come in here strong with something. We have got to get our act together here to make counter proposals and try to build on what they will put forward. I am really deeply concerned about that.

Mr. MOOSE. I appreciate your advice, Mr. Hamilton. I do regret that the reinvention of the executive branch departments and agencies, as imaginative and thorough as it is, is somehow regarded as

less attractive, as less desirable, than changing around the organization charts.

I understand your position on this, but for example, the changes that Brian Atwood has brought about in USAID are nothing short of revolutionary. The changes that are coming about in the Department of State in the strategic management initiative, which is a quiet, internal reinvention of the Department, are really quite startling. Mr. Atwood referred, at the outset, to a certain pattern of behavior and biases on the part of the Department of State. I do confess to behavior and biases. His is much better since he went to USAID.

But, we have worked quite closely on the question of, for example, in my opening statement, I referred to the team concept, which Secretary Christopher is promoting, as a means of bridging some of the divisions that exist even within our own department, enabling us to work horizontally, to reach out to the team that the Secretary has created to work with the other three agency heads. The fact that we are delayering, the fact that we are removing a lot of the overlap between the regional and the functional areas, the fact that we are addressing common administrative services in the way that we are, from inside the building, these are quite profound changes, and will result in the Department which is much more effective and will strengthen the Secretary's ability to coordinate.

In his opening statement, the chairman stated his strong support for revising the foreign affairs agencies to achieve better integration, cost saving, and a better coordinated structure. We are in favor of all of those things. We simply do not believe that you have to dismantle a foreign policy apparatus that is really serving very effectively in order to do that.

Mr. HAMILTON. Mr. Moose, I agree with you that a lot of very good work has been done, including that done by Mr. Atwood, Dr. Duffey, and Mr. Holum. They have all done excellent work, so far as I am concerned, with their agencies.

I think you see the tactical problem we confront. The tactical problem is they have something and, at this point, we have nothing, and it is pretty hard to fight something with nothing.

Mr. MOOSE. I appreciate the comment, Mr. Hamilton.

Chairman GILMAN. The gentleman's time is expired. When we recessed, Mr. Payne was in the middle of his queries.

Mr. PAYNE.

Mr. PAYNE. Thank you very much. Mr. Moose, my question is somewhat similar to that. I know Senator Helms' focus is on the fact that there are disparate voices in our foreign policy section, speaking at different levels. But, his proposal really does not address how to better coordinate, for example, the efforts of State, Treasurer, U.S. Trade Representative, D.O.D., not to mention the Intelligence Community.

For example, I recall in Haiti, where I just returned on Friday, visiting there with the President, with the turnover of the United States to the U.N., it reminded me of the incident where the U.S. ship was bringing in some Seabees to start to deal with training of Haitian military to do road construction and so forth. The Harlan County ship came to the dock, and there was a demonstration

by the FRAPH organization, and of course, the ship turned around and came back.

Later, some weeks later, we found out that FRAPH was an organization that was sponsored and supported by our intelligence agency, CIA. It seems that there might have been a little lack of coordination if, in fact, we are bringing in people to help build some roads in another organization that we seem to have a relationship with, and evidently knew that this demonstration was going to occur with a handful of people on the docks. By the intelligence agency, I guess, not telling the ship that they were going to be out there and do not pay much attention to them, or at least tell them not to do it that day, it seems that there is a lack of coordination currently in some of those activities.

But, to address Mr. Helms' proposal, how do you get a greater coherence? You were talking about, you do not have a plan, but you do have a process to do that. Could you, maybe in the half a minute I have left, try to clarify that for me?

Mr. MOOSE. Well, I think, Mr. Payne, that you referred to the multiplicity of agencies that are interested in expanding trade, for example. Here we have, I think, an interesting case. It is not entirely clear to us what the proposal referred to by Senator Helms would require of the trade agencies. But, the fact of the matter is that the promotion of foreign trade is one of the more successful activities that is going on at the moment in our Government. It has been highly successful. We have never had such a successful trade promotion program as we have today, and there are quite a number of different agencies contributing to that. You mentioned some of them, and they achieve a very high degree of coordination through something called the Trade Policy Coordinating Council.

That group achieves an effect there using the multiple programs and authorities of the various agencies in a very creative and skillful way. I, for one, think we should take that as an example of something that works well, is not broken, and therefore, it does not need to be fixed.

I think the same will apply to a number of the other areas of the foreign affairs area, in which what is really required is a kind of collaboration and interaction that takes place between Secretary Christopher and these gentlemen over here to my left.

Chairman GILMAN. The gentleman's time is expired. Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman. Mr. Chairman, you know, when I was first elected in 1980, I will never forget, the day after my election, the newspapers carried, in one of the largest newspapers, a very big headline that Smith will be a one-terminer. Sure enough, I ran against the president of the New Jersey State Senate that year, the following year, who gerrymandered a district just for himself. It reminds me, and I remember thinking this at the time, that nothing focuses the attention so wonderfully as the knowledge of one's own impending execution.

I say that somewhat tongue in cheek to the very distinguished witnesses that we have today, because we have had three hearings so far, Mr. Chairman. On February 7, we heard from Mr. Moose, on February 23, from Mr. Holm, and USIA, Dr. Duffey on March 1. Frankly, I was very impressed that even then, and now I think now in a more accelerated way, inside each of their respective

agencies, they have tried to accelerate the pace of reform, knowing that there is a very significant and credible threat of consolidation. Threat or reform, depending on how one looks at it.

So, good may come out of this, regardless of what happens during this process, and I say that being a very firm believer in the work that these gentlemen do.

Mr. Holum, you in your testimony, somewhat today, but even in a more expanded version before our subcommittee, made a number of very significant points about ACDA. You pointed out that we are in a period of time of harvest, that with all of those conventions and treaties that have been negotiated painstakingly over the many years, that now is the time when the rubber meets the road, so to speak, and it was time to implement and to do so with an expertise that could not just be taken off the shelf somewhere.

You made the point that 1995 is our one chance to safeguard the NPT for all time. Then, you obviously made the point repeatedly in your testimony about the importance of this harvest. What threat or what benefit do you see might come from a consolidation that would put ACDA under State? What would happen to some of those people that have considerable experience, and again, you know, the institutional memory potentially could be lost. Do you see this as a threat? Matter of fact, you made another point, and I think ACDA sometimes does not make its own case sometimes on the Hill perhaps, persuasively, as it can. Maybe you are too busy doing the work that you are supposed to do.

But, you made the point that arms control is a national security bargain, and that for pennies, vis-a-vis the Pentagon's budget, if this is done correctly, with the right type of expertise, a tremendous amount of fruit could be gleaned.

Mr. HOLUM. Thank you very much, Congressman Smith. I appreciated the opportunity to testify on February 23, and I am happy to be here again today.

The point you made about the resources involved in ACDA, I think, is an important one. Our entire budget, operating budget, is equivalent to the unit cost of a single F-15E aircraft. We are talking in the range of \$45 million a year. Part of the difficulty we have is getting noticed, in terms of the sheer numbers that Congress is dealing with.

I think that the problem of moving ACDA into the State Department, in terms of the effect on our mission would be twofold. One, as I have emphasized in my statement, it would be that the independent voice in the policy process that elevates arms control and nonproliferation issues to a high degree of attention would be seriously diminished. That, inevitably, the arms control and nonproliferation considerations would be subordinated to the other broader concerns that the Department of State has to deal with, including country relations.

One of my colleagues said that he would not go behind the Secretary of State's back to the President. I agree with that. I would not go behind the Secretary of State's back to the President, but I do have the right to go to the President when we disagree. That fact makes ACDA a part of the policy process, a distinct part of the policy process, at every level of deliberations as national decisions

and policies are being determined. If we are put in the State Department, that voice would be silenced.

The other thing that I think would be very harmful would be that we would inevitably dismember the technical skills that form the unit that makes up ACDA. For example, we have about a dozen lawyers in ACDA who are probably the premiere experts in the country on the negotiating history of the arms control agreements that we are now seeking to implement, and who provide the legal advice for all arms control delegations in continuing negotiations.

Now, I do not know where they would go, since there is no specific proposal on the table, but if those lawyers were put in the legal advisor's office in the State Department, would that concentrated knowledge and expertise be preserved, or would they be assigned to other things, and gradually lose that sharp focus and expertise?

In the case of verification, again, we do not know the specifics. But, you referred to the arms control harvest. It is an enormous undertaking. Many people think that once you have signed a treaty, that the work is over with. START requires, for example, elimination of many SS-18 missiles in the former Soviet Union, but we are just starting to reap the benefits of that Treaty, of the START Treaty, and we still have to ratify START II and implement it.

The people who negotiated that treaty are also necessary for its verification and implementation, which also involves intense negotiations for matters left unresolved, for disputes that arise during the course of implementation. Would you put intelligence people in the Intelligence Community, would you put the negotiators somewhere else, and therefore break up the set of experts, the synergies that work between those groups of people and scatter them in a different bureaucracy?

I think there is a very great risk that we would do this work at greater cost and less well.

Mr. SMITH. I see my time is up. Thank you very much.

Chairman GILMAN. The gentleman's time is expired. Thank the gentleman.

Mr. Johnston.

Mr. JOHNSTON. Mr. Atwood, in your testimony, you stated that there were, what, 26 missions closed in the past 2 years?

Mr. ATWOOD. We have announced the closure of 27. We have identified 21 and all of those will be closed by the end of fiscal year 1996. I think a dozen of those have been closed.

Mr. JOHNSTON. Nine of those were in Africa, were they not?

Mr. ATWOOD. Nine of them were in Africa, that is right.

Mr. JOHNSTON. Do you anticipate closing any more missions in Africa?

Mr. ATWOOD. In the six, we have identified three additional very small missions in Africa, but we have not announced them publicly.

Mr. JOHNSTON. I am sorry Congressman Kim is not here. He kind of lectured the Secretary of State last week on the fact that even though the State Department's budget was 1.3 percent of the additional budget, that additional cuts need to be made.

Congressman Kim is a Korean-American. Now, if this is not a leading question, I do not know what would be. Do you have any

information regarding the correlation between foreign aid and the subsequent benefits to the United States in the form of exports or other monies, Mr. Atwood? Could you give a specific example?

Mr. ATWOOD. Korea is a wonderful success story for the foreign aid program, as you know, Mr. Johnston. We did provide something like \$16 billion worth of aid over a 20-year period, and helped Korea establish the right policy framework. We helped them educate their people and helped them create a private sector. We helped them with the health care of their people, and of course, they became very, very productive. They now, of course, import \$30 billion worth of U.S. goods each year.

This may be a very dramatic story, but we can give you dozens of examples of creating markets in that way. That is what our aid program does.

Chairman GILMAN. Would the gentleman yield?

Mr. JOHNSTON. Certainly.

Chairman GILMAN. Korea occurred quite a while ago for that graduation. Have there been any graduations of late?

Mr. ATWOOD. Yes, indeed. In the list of 21 close-out countries, there are some very prominent countries that we have graduated. Costa Rica in this hemisphere, Thailand in Asia, Botswana in Africa. All of these countries have achieved a great deal of progress and development. Their per capita incomes have come up. There are now capital flows in terms of trade, investment, and U.S. exports going to those countries. So, there are very recent graduates from the aid program.

Chairman GILMAN. You closed the mission offices, but you reopened some of the regional offices in some of the same countries, have you not?

Mr. ATWOOD. We have closed the bilateral mission, which means that we have closed down bilateral programs in that country. But Botswana, for example, this is the headquarters of the SADC, the South African Development Community. That is where we want to be working in a regional way. We think we can do it cost-effectively by working regionally to try to create networks among the private sector, the people, and the nongovernmental organizations.

Chairman GILMAN. I thank the gentleman for yielding.

Mr. JOHNSTON. I thank the chairman for his question. Do you anticipate equal success in the near future of your operations in Africa, that they may too experience the Korean experience?

Mr. ATWOOD. I think that if you look at southern Africa, in particular, which is a potential market of about 100 million people, we do anticipate making progress there in the next decade. In many parts of Africa, I would cite countries like Uganda and Ghana, they have made great strides forward, where they are now increasingly importing American goods.

We are able to gain a great share of that market and are competitive with the Europeans in particular. We have only 10 percent of what, in essence, is a \$60 billion market today, but if we make the right investments along with other donors, and that is important, because we only give 5 percent of all the development assistance to Africa, then I think that American business will be able to take advantage of what I call the last great developing market, the African market.

Mr. JOHNSTON. Quickly, if the development fund for Africa were cut from \$800 million to \$500 million, would this seriously cripple the operation on this continent?

Mr. ATWOOD. It would seriously cripple it, and it would probably increase the cost of dealing with some of the crises in the area.

Mr. JOHNSTON. Thank you very much, Mr. Atwood.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Johnston.

Mr. Roth.

Mr. ROTH. Thank you, Mr. Chairman. I am going to yield 2 minutes to my friend, Mr. Burton.

Mr. BURTON. Mr. Atwood, I am sure you are aware that there are a lot of human rights abuses taking place around the world. In particular, I have been concerned about human rights abuses in northwestern India, in Punjab and Kashmir. It is a very difficult issue up there.

Over the past several years, we have had a number of votes in the House to focus attention on this issue. Two years ago, when the Democrats had the majority, I had a colloquy with the chairman of the Appropriations Committee, during which time we reached a compromise of cutting \$4.5 million in developmental assistance to India; not because it was not a substantial amount of money, but because it sent a very clear signal to the Indian Government that we were concerned about the human rights abuses in Kashmir and Punjab and we wanted to see them stopped. It was a signal that we thought was very important.

The USAID Department, which you head, decided not to stop that money from going to India for developmental purposes. You and I had a meeting in my office, and you said that when you talked to the chairman of the Appropriations Committee, he did not recall the situation the way I mentioned it to you. So, I got a copy of the transcript of the debate that took place on the floor and the colloquy between the chairman and I, and I think it proved beyond any doubt that it was the intent of the Congress to cut \$4.5 million in developmental assistance.

Yet, USAID chose not to make that cut to India. I do not require an answer. I would just like to say to you that I think the Congress of the United States, when it expresses its will to an agency director such as USAID, expects this person to listen and to honor what the Congress asks him or her to do. In the future, should USAID survive and not have budget cuts that put it out of existence, I hope you will at least listen to people who might be in the minority now, but who may be in the majority later and have some control over your agency.

I got the distinct feeling when we had our conversation, that it was the feeling of USAID that we were going to be perennially in the minority and you really did not have to pay much attention to us. I hope that attitude has changed just a little bit.

Mr. ATWOOD. Mr. Chairman, I would like to address that question. As Mr. Burton knows, I did go and visit with him. I told him at the time that we were analyzing his assessment of the legal situation. I told him that this was an issue that not just USAID was considering, but the State Department and the entire administration, as well. I told him that we were concerned about the human

rights situation in Kashmir. I told him that we had, indeed, taken this issue up with the Indian Government.

Subsequent to that meeting, we sent him a letter stating the administration's position and stating that the 1994 Foreign Operations Appropriations Act did not contain his provision.

Now, I do listen very carefully, I can assure you, Mr. Burton, and I believe that your amendment and your discussion with Mr. Obey on the floor of the House did help improve the human rights situation in India. But, we did not, as a matter of considered judgment, agree that it would help the human rights situation to cutoff aid to children, to cutoff aid to education programs in India—

Mr. BURTON. It was developmental assistance, it was not humanitarian assistance, and you did not pay any attention to the colloquy, and you did send money in violation of what the Congress asked.

Mr. ATWOOD. I would like, Mr. Chairman, if I could, to submit the letter that I sent to Mr. Burton for the record, just so that we have a full record.

Chairman GILMAN. Without objection.

[The letter appears in the appendix.]

Mr. ROTH. Mr. Chairman, I listened carefully this morning on this reorganization work, and Mr. Hamilton had an impassioned plea. I think we could catalog it as such, saying, where is your plan? I just feel that maybe the State Department cannot come up with a plan, and maybe we have to reorganize the Department.

We reorganized the House of Representatives the first day we took over, and we downsized it by a third. Now, I wonder why the State Department cannot downsize by a third?

I have a question aimed at Mr. Holum. Who is in charge of reorganization? Who do we go to? Who makes the final decision if we have an idea?

Mr. HOLUM. Well, in the case of the National Performance Review—

Mr. ROTH. I am talking about the overall department.

Mr. HOLUM. Right. Each of us is responsible for the reorganization of our own agency. We are getting advice and help in that respect from the National Performance Review. I would like to underscore in partial response to what you said, and also to Congressman Hamilton's question, the way to achieve savings often is not through large, dramatic strokes.

The way each of these agencies, including the Department of State, including my agency, is achieving savings and efficiencies is in a quiet, undramatic, day-by-day process of revitalizing and reorganizing our agencies. We are eliminating—

Mr. ROTH. Mr. Holum, that will never work. This idea of hey, we will do it quietly, that is just balderdash. That will never work. What we need is a big change in the State Department. For example, how much money do we give to the State Department every year?

Mr. MOOSE. The operating budget of the State Department, Mr. Roth, is about \$2.1 billion.

Mr. ROTH. About \$2.1 billion?

Mr. MOOSE. Yes. Out of that, we support the 266 embassies and missions abroad, and provide a very substantial amount of support

for the overseas activities of over 50 other U.S. Governments and agencies.

Mr. ROTH. How many people do we have employed? I thought we had 140 embassies, but you said 200 whatever.

Mr. MOOSE. We have 160 or so embassies and another additional 100 consulates and other missions.

Mr. ROTH. How many people do we have employed in these embassies and consulates?

Mr. MOOSE. Altogether, in the Department of State, in the embassies and consulates, our overseas deployment is about 16,000 persons, of whom roughly 10,000 are foreign national employees.

Mr. Roth. So, about 6,000 Americans?

Mr. MOOSE. About 6,000 Americans, roughly, yes.

Mr. ROTH. How many do we have in the State Department here in Washington, D.C.?

Mr. MOOSE. In the Department here, we have about oh, roughly 10,000 positions—about 9,500 people.

Mr. ROTH. You would say roughly about 9,500 people?

Mr. MOOSE. Right, 9,694 at some particular moment in the recent past.

Mr. ROTH. What would happen if we cut that down by a third, like we did Congress?

Mr. MOOSE. Well, it depends on what kind of role you want to maintain in the rest of the world. If one believes that this is a time for America to start drawing in its engagement with the rest of the world, I think we can cut further into the Department. But, I think one has to calculate the consequences of that at the same time, and I think it would have a harmful impact on our ability to respond and interact with events overseas.

Mr. ROTH. Mr. Moose, let me tell you, I do not think it would make an iota of difference. We cut the House, the size of Congress by a third. I do not think there is any Congressman here that would say hey, it has made a marked change in Congress.

Mr. MOOSE. I would not want to dispute you on that.

Mr. ROTH. I do not think it would make any difference in the State Department either. That is why I think that maybe we are asking the wrong people to make the cuts. I think that we in the Congress have to make those cuts. I think that we in the Congress, after all, we are the people that are responsible. Maybe we have to come in with a plan to reorganize not only the State Department, but other departments, too.

Chairman GILMAN. The gentleman's time is expired.

Dr. DUFFEY. Might I take just a moment, Mr. Roth, to make a response. It appears here you are only supposed to respond to questions and be careful what you say, but I would like to respond to both you and Mr. Hamilton personally, because I think I have shown in USIA my feeling that the foreign affairs community does need to be right sized. We need to examine the question of our role in the world.

I think the consolidation being considered—and I speak only for myself—is the consolidation of certain accounts in the 050 that have to do with intelligence, and other accounts in 150, to look at the picture of where our national security needs are. It is very relevant to think about the consolidation of some accounts and re-

drawing our sense of our national security. It is a job all Americans would welcome our willingness to take on, to ask where our security lies, to look at our intelligence budget, the defense budget, and the foreign affairs budgets and try to approach consolidation in that way.

I do not believe consolidating these agencies solves the problem of what we are no longer prepared to do or how we cut, and I think we have to address that problem. It is a very serious question, but it is not solved simply by consolidation.

Mr. ROTH. You know, my friend, I appreciate a man or woman who speaks frankly or candidly. But, let me speak frankly and candidly, too. We get more information from CNN than we get from all of our departments.

Chairman GILMAN. The gentleman's time is expired.

Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman, and I would like to offer my personal welcome to the distinguished members of the panel that have testified here this morning.

I would like to underscore, stress again and again, reemphasize, a reconfirmation of what the gentleman from Indiana stated earlier, because that was the second question I was going to ask you gentlemen, as to the timetable in terms of the Vice President's plan for reinvention of government, as to exactly what status are we in with this whole restructuring or reorganization.

I do not think I have to repeat what the whole purpose of reconsolidation or whatever we need to do. Avoid duplication, cut costs, get rid of dead logs or bureaucratic dinosaurs, promote merit against incompetence. I think we are all familiar with those issues, gentlemen. But, our friend on the other side has come up with a plan, and I assume this is the Helms' plan that I have in my hand, here. I think an Indian chief once said, there is a lot of thunder, but no rain. But, gentlemen, I want to say that it is starting to rain, because this is the plan that I am seeing, and I am not seeing anything from the State Department or from the administration.

I really could not emphasize more what the gentleman from Indiana has stated earlier to you gentlemen.

I have one question for Mr. Atwood. My observations in serving on this committee concerning the functions and the activities that the nongovernmental agencies have provided, whenever there are catastrophes, emergencies, NGO's have served a very valuable contribution and services to the communities throughout the world. I was wondering your opinion about the International Development Foundation that Senator Helms proposes to be included in this restructuring of our State Department, and just wanted your response to that.

Mr. ATWOOD. As I understand it, Mr. Faleomavaega, Mr. Helms would be creating a foundation that would be outside the government, that would be working exclusively with these NGO's. These are organizations that are wonderful organizations that have their own internal precepts and their own missions. Not all of these organizations are equally good.

We try to work with them and try to have them work with us within the strategic context that we set. I do not know quite how the foundation would work in making that happen, nor do I know

how the foundation would hold them accountable for what it is they do.

Mr. Faleomavaega, you mentioned, as did Mr. Hamilton, this question of the plans. I want to make one statement similar to Dr. Duffey's. If we see this serious work that we are involved in here, trying to figure out what the post-cold war structures of our Government will be in the foreign policy area, as simply a battle of the plans, then the American people will lose, I am afraid.

I say that with the greatest respect. I understand exactly what Mr. Hamilton is saying in this regard. You are in a legislative arena, and I have, of course, worked in the Congress and I have worked as an Assistant Secretary of State for Congressional Relations. I have the utmost respect for Congress, but I would suggest to you that it is primarily the President's business, the President's prerogative to organize the executive branch. He did not interfere with your efforts to reorganize the Congress. He could not.

You obviously have the right—I am not suggesting that you do not have the right—to come up with a plan to reorganize the executive branch—

Mr. FALEOMAVAEGA. Mr. Atwood, because my time is limited, I think you must agree with me that it still has to be done legislatively as to whatever organization the administration comes up with.

Mr. ATWOOD. That is right.

Mr. FALEOMAVAEGA. So, I think in response to Dr. Duffey's comments, I could not agree with Dr. Duffey more. We are not doing this for the sake of consolidation. The fact is that I really enjoy the comments by Dr. Duffey, but the fact of the matter is, the administration has got to come up and say yes, this is the plan. We think the reorganization should be based on these intelligence problems, and let us go on. That is the concern that I think we are trying to elucidate here.

Mr. ATWOOD. You have an initial response from the Vice President, and that response also indicated that further studies on duplication were underway. I can assure you that when they are complete, we will come forward with those suggestions.

Chairman GILMAN. The gentleman's time is expired.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Chairman GILMAN. Secretary Moose, considering the Karachi killings, are we planning more steep cuts in the diplomatic security budget or any closing of any field offices of security?

Mr. MOOSE. We have the Office Diplomatic Security, like all the rest of the Department, under close examination. We certainly have to be exceedingly cautious about any change in the nature of the security precautions that we take for our people overseas.

In addition to the tragedy at Karachi, there are a half a dozen other very tense situations around the rest of the world that we have to be on our guard about. We will continue to develop and to devote adequate resources to protecting our people abroad. We are studying the question of field offices in the United States, the structure of our passport agencies, our Office of Foreign Missions, and that is under review, as part of the Secretary's strategic management initiative.

Chairman GILMAN. Thank you, Mr. Moose.

Mr. Atwood and the other panelists, I would like to call on our panelists today to try to approach the reform measures in the spirit of real frankness. Last week, our committee heard testimony giving one the impression that the foreign affairs function had been ravaged over the years.

I requested our staff to look into those assertions. Point of fact, while spending on foreign affairs has been going down, it has not done so as radically as some of the testimony asserted.

For example, in 1985, the point of comparison that was chosen by the administration, that was a high water mark for the international affairs function and budget authority terms. Congress passed a large supplemental, including Middle East, replenish multilateral development institutions, and supported huge spending in base rate countries, and in Pakistan. Frankly, choosing that year as a base and using the budget authority figures distorts the debate.

We could look, for example, at the 4 Carter years, fiscal years 1978 through 1981, when both the Congress and the Presidency were in the hands of the other party. In those years, the average outlays for foreign affairs were \$21 billion in 1996 dollars. This year, your request is also for outlays of \$21 billion. So, there is substantially no real difference, but your budget is calling for outlays in 1997 through the year 2000 of \$20 billion, \$18.8 billion, \$18.5 billion, and \$18 billion in fiscal years 1997 through the year 2000.

It is equally improper, we feel, to compare the percentage of the Federal budget spent now, and at some point in the past, on foreign assistance. The fact is that our budget problems are due primarily to increases in entitlement spending. Foreign affairs could be expected to increase in proportion to all spending, only if it is also an entitlement. But, it is and we support it, but let us not link it to such things as Medicare or Medicaid.

Mr. Holum, I have a number of questions that we would like to ask you to respond for the record. If you would please have your responses back to us before May 1, we would appreciate it. I would like to make it part of the record without objection.

Mr. HOLUM. I will be happy to do that.

Chairman GILMAN. Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman. In the interest of time, I, too, will submit a number of questions to our distinguished panelists, but just let me ask one, if I could, Mr. Chairman, to Dr. Duffey.

I am very concerned about the integrity of our international broadcasting activities, particularly of Radio Marti, TV Marti, and Radio Free Asia, which are charged with bringing a strong pro-freedom message to oppressed peoples. I am concerned about the integrities of these operations, even under the present structure, but I do have some concerns and I would ask you to briefly address those, as to whether or not consolidation would make it more or less likely that our broadcasting efforts would maintain their independence.

We all know that there is a potential for, folded into State, of some clientitus rearing its ugly head and the desire to get along with repressive governments being a higher priority than getting

a strong message and accurate information out to those peoples. If you could respond?

Dr. DUFFEY. Mr. Smith, this is a point I referred to in my presentation about the reasons why I believe a separate agency has been effective and will continue to be effective. It is not even a case, I think, that we have broadcasters who have high integrity and professional standards, but the perception, if they are directly related to the authority of the State Department, I think, would damage their credibility. That is why no government in the world—in fact, I think no major advanced government has even looked at the kind of consolidation we are talking about here. They have independent—they have agencies that work side-by-side and together, but the area of broadcasting is one that I think would be greatly diminished in its credibility.

On the other hand, that is recognized by Mr. Helms when he points to the new board that we are creating, which will give some insulation to broadcasting. I just think that that board will have a much more difficult time functioning in an atmosphere as you suggest of day to day demarches from various other governments.

I can imagine what it would be like for the Secretary, and I say this sympathetically, or the Deputy Secretary in the morning to receive a visit from an ambassador of a country, objecting to a radio broadcast the day before. It is far better to be able to say that it is administered in a separate place, and overseen by a bipartisan board to maintain standards of journalism.

Mr. ROTH. Mr. Chairman, I just have—

Chairman GILMAN. Mr. Roth.

Mr. ROTH [continuing]. A couple of short questions. At USIA, how many people do we have employed there, and what is the budget?

Dr. DUFFEY. The number now has dropped each of the last 2 years, Mr. Roth. Let me give you the precise number at the moment. The number is 8,202 positions.

Mr. ROTH. The budget is?

Dr. DUFFEY. The budget is about \$1.4 billion, with a request next year for less spending than this year. We are taking major savings. I think we are the only agency that is coming before the Congress actually asking for a budget which is less than it was last year, and yet puts more into programming, because we are taking more administrative cuts that we have achieved through a number of reforms.

Mr. ROTH. How about at USAID? Could I ask how many employees we have, and what is the operating budget?

Mr. ATWOOD. We have 3,134 U.S. direct hires. We have 639 foreign service nationals, direct hires, and 5,476 foreign service nationals who are personal service contractors, for a total of 9,400.

Mr. ROTH. What is the operating budget at USAID?

Mr. ATWOOD. It is \$570 million, I believe is the request this year, which is approximately \$25 million less than last year.

Mr. ROTH. How about at ACDA? How many people do we have employed there?

Mr. HOLUM. We have 250, total.

Mr. ROTH. 250. The budget.

Mr. HOLUM. The submission for 1996 is \$76,300,000. The base line operating budget is \$44,339,000 roughly. We have substantial additions this year to operate the Cobra Dane radar, which is a START verification asset, and the chemical weapons convention, once it goes into force.

Mr. ROTH. OK, thank you.

Chairman GILMAN. I want to thank our panelists for their time, their patience and for their excellent review of the problems confronting your agencies.

The committee stands adjourned.

[Whereupon, at 12:13 p.m., the committee was adjourned.]

AMERICAN OVERSEAS INTEREST ACT—H.R. 1561

TUESDAY, MAY 9, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The committee met, pursuant to call, at 10 a.m., in room 2712, Rayburn House Office Building, Hon. Benjamin A. Gilman (chairman of the committee) presiding.

Chairman GILMAN. The committee will come to order.

The Committee on International Relations meets today in open session to receive testimony from administration witnesses on the American Overseas Interests Act, H.R. 1561, which will be considered by the committee starting tomorrow.

When the committee last heard from witnesses from the four agencies now before us just before the April recess, there was a request that an additional hearing be scheduled prior to full committee action on the bill. Our ranking Democratic member, Representative Hamilton, has made a similar request.

Although we have had only a few days in session since our last hearing, there have been significant developments.

The American Overseas Interests Act, H.R. 1561, was introduced last Wednesday, May 3. It will bring about a great change in the way America pursues and protects its interest abroad.

The purpose of this change is to concentrate authority and responsibility in the Secretary of State—so that our policies with regard to development, political matters, information, and disarmament all work in harmony. The bill will also eliminate the need for high-ranking legislative, legal, and other administrative personnel in a plethora of agencies.

We mandate an outcome—the folding of the three cold-war era agencies into the Department of State—while giving as much leeway as possible to the administration to bring that about. In other words, we have taken pains to try to assure this change occurs in as smooth a manner as possible.

Yesterday, the administration unveiled its own “strategic management” plan. And although our staff has heard little from the State Department about their efforts in recent weeks, I take it that you described your plan in considerable detail to the *New York Times* for this past Sunday’s edition. I hope you will be able to tell us a little more about it today.

Regrettably, the plan apparently does not fully meet the criteria we have established of abolishing unneeded agencies and their as-

sociated administrative structures and concentrating responsibility in the hands of the Secretary of State.

Let me just add a few words about the foreign affairs budget. Our legislation does make major changes in budget levels so as to direct very scarce resources toward the highest priorities.

I have been a staunch supporter of the programs that we are authorizing in H.R. 1561. Continuing to provide humanitarian and development assistance is certainly in our national interest. The cold War may be over, but the world is still a dangerous place, and our friends around the globe need material support.

I wish we could do more. We will do what we can.

But the American people have told us that the Federal budget needs to move toward balance, and we agree with them. In that context, there is no way that the international affairs budget can be fully spared.

There should be little question that our budget deficit is weakening us economically, and that a weak America is not an America that can lead.

That brings me back, again, to the issue of reorganizing our foreign affairs apparatus. When we are facing today's resource constraints, we simply cannot afford a multitude of agencies, each with its own agenda.

We recognize that the administration does not see it that way, and I am pleased to give their spokesmen an opportunity today to make their case. So we welcome today's witnesses:

The Honorable Richard Moose, Under Secretary of State of Management;

The Honorable Brian Atwood, Administrator of the Agency for International Development;

The Honorable Joseph Duffey, Director of the U.S. Information Agency and;

The Honorable Ralph Earle, Deputy Director of the Arms Control and Disarmament Agency.

Gentlemen, the committee is happy to extend this opportunity to hear your views on H.R. 1561. I am most interested in any technical comments you may have which should be incorporated into our measure.

If you are unable to touch on such technical issues during your testimony today, we would like to urge your staffs to contact our committee staff as quickly as possible along with your suggestions so that they can be included in the mark-up, which will start mid-week this week.

Without objection, your prepared statements will be entered in the record in their entirety and you may proceed orally as you wish, once we have heard from our ranking member, Mr. Hamilton, and any other members who may wish to make opening statements.

Mr. Hamilton.

Mr. HAMILTON. Mr. Chairman, I just want to welcome the witnesses to the committee this morning and express appreciation to you for having the hearing. I think it is a very important one as we begin consideration of this major piece of legislation.

I have no further comments at this time. I suspect I will later. But I look forward to hearing the witnesses and appreciate the chairman's accommodating our request to have the hearing.

Chairman GILMAN. Mr. Berman, do you have any opening remarks?

Mr. BERMAN. I will wait until the questions.

Chairman GILMAN. Judge Hastings.

Mr. HASTINGS. I will wait as well, Mr. Chairman.

Chairman GILMAN. All right.

Before we do begin, I would like to straighten out the record on an issue that has just been brought to my attention.

Mr. Atwood, yesterday, before the National Press Club, you repeated a charge that had previously been made anonymously that this committee suppressed a GAO report. According to a transcript, you stated that:

They asked the GAO to do a study of whether or not it would be cost-effective when they tried to submarine a study because GAO concluded there would be no cost savings in this merger.

Could you tell the committee where that information came from so that we could look into this?

Mr. ATWOOD. Mr. Chairman, we were asked a number of questions by GAO. We were told that the committee had asked the GAO to look into the cost-effectiveness of the proposed merger.

I have heard from a number of sources, both within the GAO and the Congress, that the study was never brought to fruition at the request of the committee.

If that is incorrect, Mr. Chairman, I do not know why the study has not seen the light of day. All I know is that we were told the study was going to take 3 weeks. It has been probably 3 months since that study was launched, and we have not seen any results.

Chairman GILMAN. I am going to ask a committee staff member to respond to that.

Mr. KIRK. This is Mark Kirk. This is a memo from Lawrence Suda to the committee. Mr. Suda is with the GAO.

He says:

Enclosed are the materials we provided to the committee on March 31st in response to your informal request for information that would help the committee prepare for its April 4th hearings on the proposals to consolidate the foreign affairs agencies. We based our work on our discussion on March 10th, at which we agreed, due to the short timeframes, we would not be able to arrive at any conclusions or recommendations about specific cost savings that might be achieved through consolidation.

Mr. Chairman.

Chairman GILMAN. Thank you.

Mr. Moran, any opening remarks?

Mr. MORAN. Mr. Chairman, it is becoming an observation that we have heard many times now and so it loses its resonance; but when we ask the American people, they have no idea how little of America's resources are put into foreign aid. They think it is about 15 percent. And we asked them how much do you think it should be, and they figure, well, maybe 5 percent. But even most isolationists do not think that less than 1 percent is too much to play a constructive role in establishing democracy and the free enterprise system and the protection of human rights throughout the world.

And when you think of the role that the State Department and USIA and USAID have had in not only winning the cold war but in spreading the fundamental principles for which the United States stands throughout the world, you recognize that the little investment that this country has made has paid tremendous dividends.

And I can see no reason why we need to dismantle organizations that have done so much to preserve the peace and to spread the principles of human rights and democracy throughout the world.

And I can see it coming up over the horizon, and it is a very destructive force that wants to dismantle what it has taken so many years and so many people since World War II to establish.

And so I am going to fight any dramatic cuts or any dramatic destruction of these agencies with whatever limited means might be available, Mr. Chairman. And I know in my heart you agree that these agencies need to be protected and preserved and supported, as does the ranking member of this committee.

And I am looking forward to being able to join you in fighting for what we know is so important to the future of the American people, resources which are within the agencies that these individuals before us today represent.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Moran.

We will start with Mr. Moose, Under Secretary of State for Management.

STATEMENT OF THE HONORABLE RICHARD M. MOOSE, UNDER SECRETARY OF STATE FOR MANAGEMENT

Mr. MOOSE. Good morning, Mr. Chairman. Thank you. And thank members of the committee for inviting my colleagues and me to return and to have this opportunity to testify with a specific legislative proposal in front of us.

Chairman GILMAN. Mr. Moose, could you move the mike a little closer to you?

Thank you very much.

Mr. MOOSE. Yes, I will, Mr. Chairman. Is that better?

There are many ways, Mr. Chairman, in which the U.S. Government might organize itself to deal with international affairs.

One way is exemplified by the legislative proposal before us, that is to put as many foreign affairs functions as possible together in a single executive department, resulting in a larger, more complex, and layered bureaucracy.

A much better way to go is one which relies on the overall policy direction of the Secretary of State, supported by a number of specialized agencies and programs. This administration believes the more flexible, less centralized model will better serve the country's needs.

I have heard the estimable Speaker of the House of Representatives, Mr. Gingrich, cite futurist author Alvin Toffler as one of the thinkers he most admires. In his book, "The Third Wave", Mr. Toffler argues for what he calls "de-massification" in the corporate world and elsewhere.

We have seen examples of de-massification of enormous benefits to consumers. Instead of three closely controlled TV networks, for

example, viewers can now pick from channels as large as CNN or as small as our local school district.

One mammoth telephone company has been replaced by literally hundreds with greater choice and lower prices.

And would the Marines, the Navy, and the Air Force be better prepared for crises if they were eliminated as distinct organizations and merged into the Army? With all respect to the U.S. Army, I do not think so.

Our foreign affairs institutions are no different. There are 38 agencies of the Federal Government which have personnel stationed at our missions abroad, each with responsibility to pursue a mandate given it by Congress and the executive branch.

Coordinating priorities and speaking with one voice abroad is a challenge but one which we have met and are meeting well. Abolishing 3 of the 38 agencies will not alter that equation.

The State Department's Strategic Management Initiative, or SMI—to which the chairman was so kind as to refer—reaffirm the soundness of State's basic mission and structure but proposed profound changes in the manner in which we do our business.

SMI will build on our core strengths, the geographic, political, and economic expertise of our career people, our worldwide network of posts, and our skills at reporting and policy integration.

Secretary Christopher yesterday announced his action plan for making the State Department more effective.

I ask, Mr. Chairman, for permission that the text of his townhall address announcing that program be inserted in the record; and I would like to offer to brief the committee staff more fully on it at their convenience.

Chairman GILMAN. Without objection it will be made a part of the record.

[The information appears in the appendix.]

Mr. MOOSE. Thank you, Mr. Chairman.

Under the program announced by Secretary Christopher yesterday, we will close at least 20 foreign service posts in fiscal year 1996. This is in addition to 17 already closed in this administration.

We will categorize posts according to basic interests in order to provide an objective basis for reallocating our overseas personnel among geographic regions and on basis of policy priorities.

We will reduce the staffs of the Secretary and the under secretaries and enhance the role and responsibility of assistant secretaries as managers of both policy and resources.

We will reallocate domestic support costs in order to accelerate information technology efforts and other enhancements and readiness.

We will expand the use of teams both within the State Department and interagency in the policy development and implementation process.

The Department of State and our sister agencies need to devote our creative energies and management resources over the next year to achieving the tangible reinvention goals of NPR.

Devoting those same energies and resources to trying to absorb these diverse partners will detract from and complicate what each of the agencies is doing itself.

I am reminded of another modern management book, "The Virtual Corporation" which describes "electronic partnerships as faster, more creative, and contributing more to customer satisfaction than mergers and takeovers."

SMI will move us toward that electronic partnership to take advantage of teamwork. These partnerships will embrace not just USAID, USIA, and ACDA but also with many more U.S. Government agencies operating internationally and with many American citizens and groups which have a vital and growing interest in what goes on around the globe.

Mr. Chairman, I cannot address structure without also speaking to the question of funding, because without adequate funding, no structure will be adequate. Nor can we think of structure in isolation from the question of authorities, for structure and funding will matter little if the President's and the Secretary's hands are tied on policy issues by statute.

Mr. Chairman, before leaving for Moscow, Secretary Christopher asked me to underscore his belief that the proposal before us would seriously undermine America's capacity for leadership abroad.

As a consequence, I am confident that the administration will oppose any bill to mandate reorganization through the elimination of these agencies.

But there is another path open to us. Each of these agencies is, in the Vice President's words, "an essential vehicle for achieving American foreign policy goals." But there has been some overlap. There has been some duplication of services. We are working actively to eliminate both and make very substantial progress.

In time, these steps will produce savings. But the truth is that consolidation, *per se*, does not save money. The savings being attributed to consolidation would come from reducing the budgets of specific programs, not from moving people to new offices with new signs on the door.

We cannot be world leaders on the cheap, and we cannot advance the cause of our own people without supporting programs and interests which we share with other nations of the world. And what happens around the globe does matter to America, profoundly, and in every community.

Mr. Chairman, I recognize the goodwill and the hard work which you personally have devoted to the bill before the committee. But I fear that consolidation proposals are a diversion and should be set aside while we pursue serious, cost-effective reform of agencies performing unique missions.

I would be pleased, Mr. Chairman, after my colleagues have spoken to join them in answering your questions.

Thank you.

Chairman GILMAN. Thank you, Mr. Moose.

[The prepared statement of Mr. Moose appears in the appendix.]

Chairman GILMAN. Secretary Atwood.

STATEMENT OF THE HONORABLE J. BRIAN ATWOOD, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. ATWOOD. Thank you very much, Mr. Chairman. I ask that my full statement be placed in the record. I will abbreviate it.

Chairman GILMAN. Without objection.

Mr. ATWOOD. Mr. Chairman, Under Secretary Moose has made a very, very strong statement in opposition to the proposed merger of these agencies into the State Department.

Indeed, he has quoted Secretary Christopher as saying that this would seriously undermine American leadership abroad.

I cannot believe that any member of this committee wants to accomplish that end. The Vice President has studied this question, and he has rejected the idea that bigger is better.

He has affirmed the missions and the need for these agencies. He has said that these agencies are essential vehicles in pursuing American foreign policy objectives.

You have indicated in your opening statement that these three agencies may be unneeded in the post-cold war period. It seems to me that is the question that should be debated: Do we still need to have a development policy as part of our foreign policy? Do we still need to have an arms control policy and a nonproliferation policy as part of American policy? Do we still need to have, in this day and age of information flows, an agency that specializes in information?

It seems to me these are the threshold questions that must be asked. I am not sure we have spent enough time in asking those questions. Certainly the administration has, and we have concluded that these agencies are vitally needed to carry out these important missions.

We have said publicly and in testimony that this proposal would throw our foreign policy mechanisms into disarray at a time when we are undertaking major reforms of these agencies in order to do more with less.

And yet Congress persists in attempting to reorganize the executive branch.

Let me say I have been in Washington for a long time, but I simply do not understand this.

No money would be saved by the merger alone. That is clear. Your staff person, Mr. Kirk, indicated that the GAO could not confirm that there would be any cost savings as a result of this merger.

The Ferris Commission that looked at this issue back in the Bush administration, at least with respect to USAID, confirmed that it would, indeed, cost money if you preserve the missions.

But, indeed, that is the issue: Do we preserve the programs? Do we preserve the missions?

The proposed bill demonstrates that. You have found your cost savings by reducing what I consider to be vital programs. You have made drastic cuts in the development programs, and these cuts, in my view, will precipitate reductions in other nations' contributions to development assistance.

Just last week, on May 4, the OECD countries met to consider this crisis in development assistance. In a press release on that date they put out the following statement:

In the immediate situation, the 22 members of the OECD Development Assistance Committee, who together provide more than 90 percent of the world's official development assistance, expressed deep concern that domestic preoccupations and budgetary pressures in some member countries could seriously jeopardize the international development cooperation effort at a critical juncture.

Mr. Chairman, these cuts will contribute to a trend toward complex crises around the world that are much more costly than treating the root causes of these crises through development assistance. And they will cost future generations of Americans the export markets they will need to sustain economic growth within our own country.

Mr. Chairman, we know we will have to do more with less. We are making responsible changes in our programs and in our management systems to accommodate this. But this proposal would ask us to virtually eliminate the U.S. contribution to official development assistance, while downgrading the status of the U.S. Development Agency.

That, in my opinion, is a double whammy. We would get less money and less standing to leverage money from other countries.

How could we possibly maintain American leadership with other donors? Who would listen to us as we attempt to convince others to contribute?

As Administrator of USAID, I do not know where I would begin to make these cuts. Would we concentrate on South Africa and leave the rest of Africa to fend for itself? That is a prescription for lost opportunity and more failed states. If that is our choice, then our disaster relief budget request that you have before you is woefully inadequate.

Shall we get out of Latin America altogether? Do we abandon what is still a fragile peace process and democratization process in Central America? Do we abandon the goals of the Summit of the Americas? Do we leave the emerging markets of Asia and South Asia to our competitors? Do we ignore the fast-spreading HIV/AIDS pandemic in Asia and Africa? Or do we give up on the wonderful efforts we have made with UNICEF to save the world's children from curable diseases?

No one wants to make these choices, Mr. Chairman. Whatever choices we make will leave us less effective, less able to influence other donors, less able to achieve sustainable results with the taxpayer's dollar.

We can cut population programs and spend our money on children, but we would be dealing with a larger population of children. More children would still die. We could ignore economic policy reforms and broad-based economic growth. And we will create fewer economic opportunities.

Then we save the children and relegate them to a life of poverty. Maybe those children become terrorists. Maybe they forget about their problems by becoming drug addicts or worse, drug dealers.

We could ignore the environment and relegate the children to a life in a vast waste land, a world where skin cancer is as common as the common cold, where agricultural production drops and food is scarce, where people seek refuge in urban shanty towns.

Mr. Chairman, I do not want to have to make these choices, and I know you do not. You understand these programs. You have always supported them. And I know you are doing your best on these budget issues as you discuss the implications with your colleagues.

I believe you know, as well, that we have made great progress in reforming USAID. The agency today is more responsive than ever to our development goals and to our foreign policy concerns.

It is more able to deliver the development product. It can achieve results.

It was, and is, the best development agency in the world, an agency that other donor agencies depend upon.

All of these efforts would be wasted if this legislation passes. We would have to abandon the effort to do more with less as we attempt to do less with less, in an entirely new, more difficult, management environment.

It would be exceedingly difficult for the State Department to absorb USAID and exceedingly difficult for USAID to be absorbed.

Mr. Chairman, I cannot understand why this merger issue is being pursued against the best advice available in the executive branch.

If this committee and the Senate committee persists, our foreign policy agencies will be thrown into complete disarray.

I know you too well, Mr. Chairman. I cannot believe that is your intention.

Thank you.

[The prepared statement of Mr. Atwood appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Atwood. Dr. Duffey.

**STATEMENT OF THE HONORABLE JOSEPH D. DUFFEY,
DIRECTOR, U.S. INFORMATION AGENCY**

Mr. DUFFEY. Thank you, Mr. Gilman, Mr. Hamilton, members of the committee.

I have a written statement to submit and a supplementary statement about the current work of USIA, which I would like to have entered into the record, though I might keep my comments brief at this time.

Chairman GILMAN. Without objection.

Dr. DUFFEY. I want to thank you for your courtesy and consideration in making this hearing available in which we can discuss the specific terms of the legislation that is before this committee. And I will supply more technical comments at a later point.

It is clear that there is emerging now with new seriousness a consideration of how this nation should conduct its affairs and define its vital interests in a post-cold war era.

In 1991, 2 years after the fall of the Berlin Wall, a study was published with a number of American foreign policy experts that was entitled "Changing Our Ways."

We are still in that discussion trying to determine, both on the basis of resource and interest, how our ways will change after the long, all-defining period of the cold war.

However, in this process, the needs and values of the American people must continue to be the touchstones of our foreign policy.

As the Director of an agency whose entire mission is focused on understanding, engaging, and influencing publics abroad, I am particularly sensitive to the concerns of our own public here at home. And I share with many Americans the conviction that our first concern must be to renew and preserve the promise of our own American dream at home.

But I am convinced that Americans know today that global engagement remains both a fact of life and a requirement for shaping

the kind of world which will make possible the pursuit of our dreams for this nation.

This is a world in which Americans have opportunities, new opportunities that very much relate to our own prosperity in the future, and to our fulfillment of our own values is a world in which we have much at stake.

The bill that is before this committee proposes to reorganize several of our Government's foreign affairs agencies with the goal of affirming, once again, the preeminent role of the Secretary of State in the creation, implementation, and coordination of our policies for dealing with this complex world.

I understand that the intent of this consolidation proposal is to create a future-oriented foreign policy apparatus which better serves U.S. policy and the American taxpayer.

But I would respectfully submit, Mr. Chairman, that this proposal is not the best way to achieve those goals. On the contrary, I agree with Mr. Atwood, it may do more harm to the process of change that is now underway in the foreign policy community than contribute to that agonizing process in which we are now engaged of finding new ways of changing our ways.

For those of us who appear before you today, change is not something that begins with this hearing or this legislation. We have been at work, as has been this administration, months and now 2 years into the process of casting off out-dated programs, reducing personnel levels, adapting to new domestic and international conditions, doing our work with greatly reduced resources.

We have more months and years of change ahead of us.

The reforms which we are implementing each within our agencies are designed to address the new budget realities but also to adapt and strengthen our specialized expertise so that separately and together we remain effective tools for the pursuit of U.S. foreign policy goals in a world in which such specialized talents are more relevant and necessary than ever.

All the agencies before you work for the Secretary of State. We are, nearly daily, in consultation and coordination. I believe Mr. Moose has made the argument that the Vice President made in his letter to the Congress in February that it flies in the face of everything we know about the change of organizations and creative management to lump all of these organizations together.

What we are trying to do as a nation—the word we now use is “engage” the rest of the world is a complicated process that has many levels of interests and expertise to it.

It is in our interest to be in contact, as USIA often is, with the minority parties in another major government. It is in our interest to build and strengthen relationships between private institutions in the nonprofit and in the business world, just as it is in our interest to daily engage the official government policymakers of other countries the central focus and mission of our Department of State.

But I think we can look back at history and look at the present, look around us presently, and see how these agencies as specialized divisions of a foreign policy community can work together far more effectively than they could were they lumped together in one large, massive further bureaucratically hampered organization.

Since 1989, USIA-AID officers have been cooperating together under the SEED program envisioned by the Congress as a multi-agency endeavor to strengthen democratic institutions and promote economic restructuring in Poland.

A look at our success there working with the Polish people in independent media training and small grants for entrepreneurial development in the private sector illustrates the ways in which these organization work together.

Earlier, Mr. Chairman, I delivered to your desk copies in Russian and English of a new publication: "Trade With America." This demonstrates two facts about the last 2 years in this administration.

Number one, the move to concern ourselves with those policies that enhance the prospects for prosperity and investment and trade that serve the interests of the American people are vital national interests; and also the coordination achieved by the agencies that are represented at this table, each with a program and an emphasis that fits together, many of which could not be conducted in one super agency because they are related. But they are separate pieces of an important task.

I think that is the case in South Africa, an even more dramatic example of how our specialized missions and expertise contribute and continue to contribute to pursuing the goals of this country and the world.

The USIA, for example, has played an important role in America's long-term commitment to the establishment of a democratic, multiracial, new South Africa.

The library in Johannesburg for 50 years, joined later by USIA centers in Cape Town and Sowetho, were tangible symbols of American commitment to openness, to open societies and human rights.

Those programs were often the few places that South Africans of all races could meet during the period of oppression in that country. There were many times when the official positions of the United States created blocks to understanding and relating to many of majorities of that nation. We had an agency that could work, that was a part of our Government, worked in coordination with our other agencies but had a highly specialized task.

Today, USIA, USAID, the Department of State work together with the Department of Commerce, the Eximbank, and other agencies to strengthen prospects for trade and investment ensuring a response to the inspiring attempt to build a multiracial society and set a model both for the rest of Africa and the rest of the world.

We are hard at work in that process. USIA has been engaged in the last 2 years in changing itself. We have a budget before you that asks for \$120 million less than the budget we brought last year. That is not a November conversion by USIA. We began to plan for that 2 years ago, recognizing the realities that are before you.

Of the savings achieved in the 150 account, with 6 percent of the budget, USIA has contributed about 58 percent of those savings.

I would like to end by asking you to consider the human impact of mandating, here in the Congress, against the best judgment of those who are closest to the work this kind of coordination.

We have to work our way now throughout the Federal Government through a very difficult period of transition. It has to do with our minds, our expectations, our sense of the role of this country. But it also has to do with the practical instruments of government.

And in those agencies, there are men and women like the ones with whom I work, who have taken on this task of change. We must be concerned with finding a process that humanly seeks this change. We have got to be concerned with retraining. We have got to be concerned with transition for the people who will be leaving the government as jobs are reduced.

One of the things that I think we must consider is that many of the members of this committee have companies in American society going through downsizing in their own districts. They know how we have seemed to have left behind in this country the expectations we once had that employers would do this with some humane concern for the human resources that are involved.

The people who work in the government in our agencies did not create this problem. They have contributed their skills and their lives and their professional careers to serving the country. We must now respond to them. We must involve them in the process and create a process of transition through the new size and scope of the government we need in the future, the kind of government, the flexible that is as well managed as the best parts of the American business community and private sector.

But we must do that with more sympathy for the human beings involved and for the transition process than we often see about us in the commercial sector today. So I hope the Congress will expect of itself the same kind of concern for the men and women who are going through this transition as we all should continue to expect of the American business community.

I say that as an argument for an understanding of the process that has begun and for the opportunity—and as a plea for the opportunity to work with the Congress through this transition to the new era and the new ways which will continue to serve this country in its vital interests.

Thank you.

[The prepared statement of Dr. Duffey appears in the appendix.]
Chairman GILMAN. Thank you, Dr. Duffey.

Mr. Earle.

STATEMENT OF THE HONORABLE RALPH EARLE, DEPUTY DIRECTOR, UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

Mr. EARLE. Mr. Chairman, Mr. Hamilton, members of the committee:

Thank you, Mr. Chairman, first for this opportunity to testify. Thank you for agreeing to place my formal statement in the record. And thank you also for the opportunity to comment further on the technical aspects of the bill. I believe we will take advantage of that offer.

It will come as no surprise to you, Mr. Chairman, that I will use this opportunity to testify as articulately and as carefully and as thoughtfully as I can in opposition to the pending legislation which

would, among other things, abolish the U.S. Arms Control and Disarmament Agency.

I have come here this morning from New York, and will return there immediately after this hearing, where I am chairing the U.S. delegation to the Conference on the Extension and Review of the Nonproliferation Treaty, which has reached a critical point and, hopefully, will end successfully from our point of view at the end of this week.

At the same time that I have been doing that—and will continue to do it—the agency's Director, John Holum, is in Moscow with the President and the Secretary of State participating in negotiations on arms control and nonproliferation with Russian leaders.

I must be candid, Mr. Chairman, and tell the committee that the legislation before you would pull the rug out from our country's efforts to negotiate arms control and nonproliferation agreements.

And make no mistake, the bill before you takes a vital part of national security that ain't broke, breaks it, and then asks the taxpayer to spend millions to pick up the pieces.

By arbitrarily shuffling organizational boxes, this bill would undercut the American's people security in this very dangerous post-cold war environment.

With respect to arms control and nonproliferation, the bill before the committee has, in our view, at least four fundamental flaws.

First, it replaces a good decisionmaking process with a defective process.

Second, it undermines America's arms control expertise.

Third, it blinds America where we need to see.

And, fourth, it costs more than it saves.

And I would like to address each flaw in turn.

First and foremost, this bill reduces the power and suasion of the nation's top arms control advisor. It eliminates his ability and the ability of his agency to argue the arms control case directly to the President and to the National Security Council, as well as the rest of the bureaucracy.

Under the bill, all arms control and nonproliferation decisions would be made at lower levels and not by the most senior officials of our Government.

Of course, when the government speaks abroad, it must speak with one voice. And, of course, it is the State Department's job to represent our country's interests.

But when the U.S. Government's policy is debated and formed internally, the President and his senior advisors must be able to hear an unfiltered case for arms control and nonproliferation.

Those cases may not always prevail, but they should be heard—they must be heard.

An ACDA Director can go to the White House—and has done so—the nation's benefit at critical times. An Assistant Secretary of State or Under Secretary of State, as envisioned by this legislation, cannot do that and would not do that.

If this bill had been in effect earlier and there had been no arms control agency, we would, today, have no nuclear Nonproliferation Treaty.

In the 1960's, ACDA pressed for that treaty and that treaty's contributions, we all now understand, and whose permanent and indefinite extension we all support.

But the State Department initially opposed original negotiation of the NPT out of deference to some friendly countries that then wanted to explore the nuclear option. That is not a criticism of the State Department. They were fulfilling their obligations and their role. But it demonstrates how different interests can make different arguments on the same subject.

Fortunately, in that case, the ACDA view prevailed. It does not always, nor should it. But it should always be heard.

Obviously the independent arms control perspective proved its value then and since. But I submit to you, sir, that it is even more important now than during the cold war.

When arms control was the dominant element of our relations with the Soviet Union, there was little risk that it would be overlooked. I know that from my own experience as the Director of ACDA 15 years ago.

Now, however, we are more often confronted with the question of whether to press nonproliferation standards with scores of countries, virtually all of which the United States has many important issues at stake besides arms control.

So, for example, the 1992 Inspector General's report on ACDA's future remarked upon ACDA's lonely conviction in 1990 that Pakistan's nonnuclear status could no longer be certified. The Inspector General cited that case as an example of why ACDA should not be eliminated but should be retained and revitalized.

And as you know, Mr. Chairman, legislation in 1993 did precisely that, strengthened and revitalized ACDA.

In any event, in the cases of both the Nonproliferation Treaty and Pakistan, the two examples which I have cited, U.S. Government policy was formed by Presidential resolution of the healthy disagreement between ACDA and other government agencies, including the State Department.

And these are only two of the many instances I could cite. In fact, I will cite one more in the so-called reinterpretation of the ABM Treaty controversy. The only agency in the U.S. Government that took issue with what turned out to be a totally faulty reinterpretation was the Arms Control Agency.

If any member of this committee thinks issues such as these are obsolete relics of the cold war, simply think of the bombing of the World Trade Center and the resultant devastation if nuclear weapons had been in the van under the building.

Arms control and nonproliferation issues are not going away. They are more critical than ever. And an independent ACDA is needed more critically than ever.

A second flaw. This bill would undermine our Nation's essential arms control expertise. ACDA's organizational culture is built around long-term, single-issue specialists for whom arms control is a life-time career.

In contrast, the State Department—into which this bill would have ACDA merged—that department's organizational culture is built around bright, competent, foreign service generalists who have many different assignments among their 3-year rotations.

For instance, a foreign service officer could spend 3 years in a foreign post focusing on political matters, return to Washington for an equal tour dealing with arms control, and then when he or she has become familiar with the issues, leave again for another foreign assignment.

On the other hand, ACDA currently has significant expertise in physics, chemistry, engineering, computer science, seismology, operations research, mathematics, and has a cadre of highly experienced specialists in multilateral negotiations.

We should not be asking generalists who work under different personnel practices and missions to attempt to replicate this expertise. And that is why arms control is rocket science.

A third flaw in this legislative proposal is a narrow but important one. It does not authorize ACDA's request to operate the Cobra Dane radar. Cobra Dane is a large phased-array, ground-based radar in the Aleutians that we use to monitor Russian ballistic missile tests. It gives us information we cannot currently obtain in any other way.

It was originally built by the Air Force for attack warning; but given the circumstances of the ex-cold war, the Air Force no longer needs it for that purpose. However, the United States needs it to verify Russian compliance with the START agreements. So if it is not in the budget, our verification capabilities will be diminished. America needs that radar.

A fourth flaw, this bill will cost the taxpayers money, and a lot of money; it will not save.

The primary purpose of arms control is to promote national security, not to save money. But as a secondary benefit, arms control does save a lot of money.

For example, ACDA's annual core budget is under \$50 million. According to the U.S. Strategic Command, the strategic arms treaties negotiated already, alone, save about \$100 billion. Since these treaties took about a decade to negotiate, that is a pay off of about 200 to 1.

ACDA's operational budget is the same in constant dollars today as it was in 1966, nearly 30 years ago. Indeed, under both Republican and Democratic management, has been and remains frugal and cost effective.

We cannot put a precise dollar figure on the savings from nuclear or chemical nonproliferation, but we know that these savings are also immense.

How much would military spending have to rise if there were dozens of nuclear armed entities around the world? How much would we have to spend to rebuild after a nuclear weapon's use?

The answer to either question is a nightmare, fiscal or otherwise.

So there are two sides, Mr. Chairman, of the arms control cost equation: the pennies spent on arms control and the billions saved because of arms control.

Of the pennies to be spent, this bill will save none. No study has identified any savings from eliminating ACDA. The only independent study published to date noted a one-time consolidation cost of \$10 million.

So I urge the committee to ask itself two questions: What is the rationale for a step that does not save pennies, but costs billions?

And why should we fold ACDA into a larger bureaucracy if it will not save money and, at the same time, it reduces effectiveness?

The obvious answers are: We should not. There is no reason to spend more and get less.

Therefore, I would conclude with these thoughts, Mr. Chairman. If one thinks that arms control implementation and compliance can largely take care of itself, that the dangers of proliferation—nuclear and otherwise—are overblown, that the chemical weapons terrorism in Japan was a fluke and will never happen again, and that we should let arms-insensitive, dual-use technologies flow abroad more freely, then the proposed legislation may not be a bad way to go.

I hope, instead, that you will continue to support our mutual efforts to reap the national security benefits of arms control by keeping a strong, independent, streamlined, and effective agency to pursue one of the nation's most urgent missions in a transformed world.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Director Earle.

[The prepared statement of Mr. Earle appears in the appendix.]

Chairman GILMAN. I thank the panelists for their good overview on all of the issues confronting it.

Mr. Atwood, you state GAO could not find cost savings. We noted earlier the GAO memo stating they did not study cost savings. CBO studied consolidation savings for the appropriations committee and found no cost savings in fiscal year 1996 and up to \$3 billion in cost savings for the out-years.

We would be pleased to provide you with CBO study results.

Would you care to comment on that?

Mr. ATWOOD. Yes, sir. We have proposed, under the President's budget, \$5 billion of savings in the out-years by taking this responsible, serious approach.

So it is not surprising that CBO would find \$3 billion worth of savings. We are planning to reduce our budgets by 3, 5, 7, 9 percent over the next 5 years.

And we are trying to create the systems that will enable us to do that while continuing to maintain American leadership.

With respect to the GAO, I am sorry for the confusion. They did come down to the executive branch saying that they were given a mandate to try to find the cost savings in this. So I am confused about exactly what the outcome of that study was.

Chairman GILMAN. Mr. Atwood, have you formulated those other years' savings that you just noted? Have they been formulated?

Mr. ATWOOD. It is proposed in the President's 5-year budget plan, Mr. Chairman. And we are now working on how we can accommodate to those numbers.

I would suggest that no one in the executive branch is happy to see a descending glide path. But we know we have to fulfill those obligations, and we are trying very hard to do that in a responsible way.

Chairman GILMAN. Mr. Atwood, you had informed the committee that USAID operates very much under the foreign policy guidance of the Secretary. You state you would attend the Secretary's morning staff meetings 3 days a week, have regular meetings with other

independent agencies, and the Secretary once every 2 weeks, and have regular meetings with the Deputy Secretary.

If that is so, what is so different about working for the Secretary in your capacity as one of the most important Under Secretaries of State?

Mr. ATWOOD. The difference, Mr. Chairman, is the integrity of the management operation of what we are trying to do. It is not as if I do not listen very carefully to the foreign policy guidance of the Secretary.

We attempt to make changes when necessary in our development plans to accommodate the foreign policy needs of the country. We certainly made those changes when Russia decided it wanted to become a democracy and a market economy. We made those changes when South Africa went through the transition. We made those changes when Haiti became a major issue for us.

But we did that with little damage to our development efforts because we have an entity that can make its own decisions. We have been trying very, very hard to reduce the amount of time it takes to get a project into the field, for example.

All I can see from this merger would be that there would be less management integrity. We would have more management layers. It would take us more time to do this kind of work. So we would be even less responsive to the Secretary of State under your proposal.

Chairman GILMAN. Mr. Moose, according to one article, I believe it was the *New York Times* on Sunday, there were recommended changes in the State Department expected to save about \$50 million a year.

That is pretty much short of the \$1 billion a year the Vice President expected in savings.

How do you account for that?

Mr. MOOSE. The Vice President, in his press release, probably the one that you are referring to, spoke of \$5 billion over a 5-year period.

The potential savings reallocations, which we identified as possibly attributable to the strategic management initiative, are a part of a larger effort that the State Department would have to make to shoulder its share of the programmed reductions, the same ones that Director Atwood has just spoken of.

We would not be able to make all of what we need to cut in order to meet the Vice President's or the OMB's objectives. But the strategic management initiative would help us along that path.

Chairman GILMAN. So you are hopeful you would be able to rise from \$50 million in cuts to \$1 billion?

Mr. MOOSE. Obviously, with the small operating budget that we have, we will never be able to make up \$1 billion out of cuts.

And I do not believe, Mr. Chairman, that the Vice President ever said that the State Department would make up \$1 billion out of the \$5 billion. That \$5 billion is against the entire 150 function over 5 years.

Chairman GILMAN. How much did you anticipate the State Department could make up with the \$1 billion?

Mr. MOOSE. I have to make up about a \$200 million shortfall in my budget between last year and next year. With inflation costs,

foreign exchange costs, rising consular costs, I hope that I can make up the \$200 million shortfall.

Chairman GILMAN. And yet you recommend a \$50 million change.

Mr. MOOSE. Well, those are reallocations that we hope to be able to make as a result of specific actions under the strategic management initiative. We are going to have to do a lot of other things in addition to that, Mr. Chairman.

Chairman GILMAN. You have no plans for the other things at this point?

Mr. MOOSE. I have plans, and I have hopes, Mr. Chairman.

Chairman GILMAN. Director Earle, I realize that ACDA is a small agency, and any savings we would achieve would be smaller than from the larger agencies.

But are you saying that without your own General Counsel of Legislative Affairs and other common functions there would be no savings in the out-years?

Mr. EARLE. That is what the studies demonstrate, Mr. Chairman.

Chairman GILMAN. It seems to me that they would account for significant savings.

Mr. EARLE. Well, first of all, you have the costs of the consolidation itself which would vitiate any savings that there might be for a number of years.

But based on the studies that have been made, we have been advised that there would be no savings.

And I certainly would hate to lose that general counsel, in any event, for the reasons I stated during my earlier testimony.

Chairman GILMAN. The State Department counsel would not be able to assist you in those functions?

Mr. EARLE. Mr. Chairman, in the instance that I cited, it was the State Department legal advisor who took the step of trying to reinterpret the ABM Treaty in a fashion completely contrary to the wishes of Congress. And it was the general counsel of ACDA who was the only one in the government who opposed it until eventually the Congress took hold of the issue and made it clear that the State Department's legal advisor was wrong.

Chairman GILMAN. Just one further question.

Dr. Duffey, what in the USIA mission specifically requires that the Agency be independent of the State Department?

Since you are primarily implementors of our foreign policy, does it not make sense to be directly connected with the foreign policy apparatus and not be separated? Would that not mitigate the problems that some of the USIA officers feel like they are treated as second-class citizens in some of the posts?

Dr. DUFFEY. Mr. Chairman, the intention of President Eisenhower, when USIA was created as a semi-independent agency, was that it attempted to give, for the U.S. Government in all its representation, one voice overseas.

When I appeared before the committee before, I had a chart to indicate the fact that the agencies you have before you constitute only half of the U.S. Government representatives and organizations that work overseas.

USIA's task is to be a public—the public affairs aspect of USIA's mission has to do with all of those agencies so that it is working

as much with the Department of Commerce or Treasury or others to try to provide accurate information and interpretation overseas.

I do not think that there are current blatant examples of the difficulty of communicating policy. There are places where our policies are ambivalent. There are places where we have several goals that we are pursuing at the same time. But I am not sure that I can envision any arrangement with USIA in the State Department that would do anything, frankly, but slow down the process of communicating in a world where communication is almost instant.

There have been very few instances on my watch at least that I have been aware of where USIA has failed to communicate a policy or communicated a policy that was regarded as inaccurate.

Often, the communications have to do with work of the Congress, and how our society operates. There were a few moments ago, in this room, some parliamentarians from Africa, and Swaziland. I think they have left now. They have been here studying the U.S. congressional legislative process. All those activities in which USIA is engaged have no real need of a direct relationship with the State Department and probably would be slowed down and hampered in terms of administration.

Chairman GILMAN. Thank you, Dr. Duffey.

Mr. Hamilton.

Mr. HAMILTON. Thank you, Mr. Chairman. I want to thank our witnesses.

What I would like to do is indicate to you my approach to this whole question of reorganization. I probably do not have any questions, so the witnesses can sit back and relax for a few minutes—look out the window if we had a window to look out—while I make a few observations.

First of all, I think it is important to recognize that when we are talking here about reorganizing the foreign policy establishment of the United States, we are talking about the national security of the United States. And we, therefore, should proceed with a great deal of caution.

It is one thing, I think, to reorganize HUD or the Department of Education. It is quite a different thing in terms of the national security interests of the United States to reorganize the foreign policy mechanism of our country.

I am impressed with the overall numbers here. I do not control that these numbers are precisely accurate. I am sure you could give me better numbers, but the specifics are not all that important.

As I understand it, State employs about 11,600 people now; USAID about 9,000; and USIA about 4,800, roughly.

The budget of State is about \$4 billion. The budget of USAID is about \$6.5 billion. And the budget of USIA is about \$1.5 billion.

Now, the proposal before us is to take USAID, USIA, and ACDA—ACDA is small in both budget and number of people—and put it all into one organization. And what you are doing is hugely expanding the number of people that State would be responsible for, easily doubling it.

And likewise with regard to the budget, you are probably tripling the budget of State in one fell swoop.

I do not mean to be unkind to my State Department friends, but the State Department has never been known, since I have been in Washington, as the paragon of management efficiency.

Mr. Moose, I hope you will not be too offended by that remark.

But what you are doing here is hugely expanding State in one fell swoop. Now, maybe that is called for. But we ought to be very, very careful in doing it.

One of the things that worries me here is that your time—as well as that of the many, many people who work for you—is going to be spent focusing on the question of reorganization. And I very strongly suspect that you have more important things to do, that moving boxes around in the executive branch is not where your talents and your resources and your energy ought to be spent right now.

Now, I have to be careful here. We can always make improvements in the way we put policy together in this country. The proposal that the chairman has made is an absolutely genuine proposal in response to what many Americans are demanding today, that we downsize government, that we make it cost less and work better.

And so I think all of us have to be open to proposals to reorganize and to downsize and to become more efficient.

I do not see that the problems that we may have today in American foreign policy—and we certainly have a list of them—are related to structure, are related to organization. That simply has not been proven to me, that our problems in American foreign policy come out of a faulty structure.

And surely the burden is on those who would make the radical change to show that whatever problems exist in American foreign policy today—and we all know there are many—derive from structure and organization.

I must say to you I do not understand at this point the impact of the proposals before us. Now, maybe that is my fault. Maybe I have not studied it carefully enough. I have tried to look over the material available, and I will do so again.

What is the impact on programs? Mr. Atwood tried to spell out what he thought the impact would be, and I appreciated that. What is the impact on people? What is the impact on mission? What is the impact on cost? I really do not have much of an idea. Do we make any savings or don't we? What do we abolish here? The word "abolish" is used several times in the draft statute; but so far as I can see, we do not abolish anything. We simply take it and move it over here.

So I am not clear with regard to the impact of the proposal before us. And given the kind of caution that I think ought to operate in this climate and on this subject, radical change, it seems to me, has to be met with some skepticism.

I am also very concerned about the Congress of the United States telling the President of the United States how he should organize his administration.

Now, there are times when I think it is appropriate for the Congress to step in and say, "Mr. President, we think you can do it better the other way." But I just do not think those of us on this committee—and I suspect any of my colleagues in the Congress—have

the kind of expertise to tell you how to organize the executive branch to conduct American foreign policy.

If you conduct it in such a way we do not like, we have every prerogative or every right to criticize you for it.

But to get into the details of executive branch organization here, I just do not think we have the expertise for it.

Now I understand what we are responding to up here. We are responding to a strong desire of the American people to shake up the Federal Government. There is not any doubt about that. And it may be that you have not been sufficiently sensitive to that. Any politician is sensitive to that today.

I think you are making some progress on this. I think you have made some serious steps in the right direction in reorganization, but maybe you have not done enough. I do not want to try to pre-judge that question. The mood out there is certainly strong. But the point is that maybe we should convey to you how strongly felt the desire of the American people is for change and downsizing and more efficiency and all the rest; but at the end of the day, I think you have to make the judgments as to how it is done.

I believe also, as several of you have argued, that an awful lot of specialized expertise in your agencies might very well be lost in a huge, huge bureaucratic structure that we are forming under this proposal.

What are the problems of American foreign policy today? As I look through those problems, I do not think the organization of the executive branch to conduct American foreign policy is a major problem.

And because I know how scarce and how precious time and energy and talent and resources are in government—and you four gentlemen before us have it in abundance—I just have the gravest doubts as to whether we ought to be having this debate today.

Chairman GILMAN. Thank you, Mr. Hamilton.

I would like to remind our ranking minority member that in 1989 under your guidance that we issued a reform program for foreign aid after 2 years of study called the Hamilton-Gilman proposal. I am just hoping that some of the thoughts here are not going to be put on the shelf as our proposal was at that time.

Mr. HAMILTON. Mr. Chairman, in all due respect, there are huge differences between what you and I did a few years ago and what you are contemplating in this bill. You are contemplating the reorganization of the entire executive branch with regard to the conduct of American foreign policy.

You and I focused on USAID only, and we focused largely on mission and purpose, and not on structure. We did not tell them what boxes to put where. To make that comparison is absolutely false, and I reject it.

Chairman GILMAN. Thank you, Mr. Hamilton.

Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman. I want to thank our distinguished witnesses for their testimony. And this is a very difficult time I think for all of us. And I for one, and I know our distinguished chairman, have been very strong proponents in my 15 years as a Member of Congress of foreign aid. So as we look at scarce available Federal dollars in all programs, and when huge

bureaucracies downtown in their entirety are actually on the chopping block by the Budget Committee, it makes our job all the more difficult and puts additional pressures and strains on how we do our work.

Dr. Duffey, assuming the chairman's consolidation of USIA, I wonder if you can tell us in what way the Broadcasting Board of Governors' structure would be insufficient to preserve the independence of international broadcasting operations?

Dr. DUFFEY. Well, the proposals are to bring over the structure as it is envisioned now in the new consolidation, which would have an independent board of oversight, the Board of International Broadcasting, the members of whom will be before the Senate for confirmation soon.

An instrument like that, we created that board especially to provide more genuine oversight. It is not an advisory board, it is actually a governing board, to provide for the men and women who participate in the preparation of news and reporting, some fire wall really between those of us who often are dealing day to day with policy questions.

But I think to have that broadcasting entity even with the advisory committee located in an institution that daily must receive communications from foreign governments, official communications, is to ask probably for an unreasonable measure of restraint from the Secretary of State.

Our government has, as I have said, often engaged in objectives that sometimes they are in tension with each other. They are different. They engage different sections of the society. And we hope that our broadcasting, while always cognizant of our policy in pursuit of our interests, is not affected by the day to day pressures that may come out of negotiations, or communications, or objections that come from other governments.

Therefore, I think that the structure such as USIA, and even there restraint called for, the new Broadcasting Board of Governors will give the director less authority than the director has had in the past with respect to broadcasting.

So I think that we stand in danger of compromising an effort that we are all making to provide more insulation for that broadcasting venture.

Mr. SMITH. There is no suggestion, however, that the BBG members in some way would be compromised or would not provide their views?

Dr. DUFFEY. No. I think that it has to do with the day to day operations. And if the new proposal involves budgetary arrangements that are directly related to priorities within our Government to government relations, those could become considerations that would affect broadcasting as much as policy decisions.

Mr. SMITH. Thank you very much, Dr. Duffey.

Mr. Earle, and I know the chairman feels this way as well, we have labored long and hard on the ACDA issue, and have had some concerns about what consolidation might do. And I know Mr. Be-reuter has some concerns about this as well.

The chairman's mark, as he will offer it tomorrow, will differ in two key respects from the bill as it was introduced last week, as I think you know. First, the Bureau of Arms Control and Disar-

mament would no longer be under the Under Secretary of State, but rather it would be under a coordinator for arms control and disarmament who would report directly to the Secretary of State.

Second, the coordinator would be guaranteed access to the President by means of an amendment to the National Security Act of 1947, making him a statutory advisor to the National Security Council.

It is my understanding that ACDA has long wanted its director to be a member of the National Security Council.

And by finally granting this wish, are we not actually elevating the arms control function within the executive branch?

Mr. EARLE. I am going to think about that, Mr. Smith, because obviously it is a new suggestion. I just question, I still question, whether someone who is in the State Department can genuinely take issue with the Secretary of State on issues before the President and the National Security Council.

The current statute says, as I am sure you know, that the director is the principal advisor to the President, the National Security Council, and the Secretary of State on matters involving arms control and disarmament. And I just find it difficult to conceive of a situation in which an officer of the State Department would go to a meeting at the White House and say, "Mr. President, the Secretary of State does not know what he is talking about on this issue. He is just plain wrong."

And the Director of ACDA in his present status can do that. And I think that it would be lost, based on this brief reaction to what you told me. And thank you.

Mr. SMITH. If I could, Mr. Chairman. I know my time is out. But yesterday, our subcommittee as part of the chairman's mark and my mark provided \$44 million for ACDA. As you know, Cobra Dane is not included in that. Perhaps some member of the minority or majority might want to offer that and add to it.

Mr. EARLE. I hope that will not be the case.

Mr. SMITH. That might be the case. Our sense is that Cobra Dane was dropped by DOD, and that case is still yet to be made. And the chemical weapons request that was made, as we all know, the CWA, the Chemical Weapons Convention, I should say, has not been ratified. Therefore, we are in a situation where it is a potential, but not an actuality.

Is the \$44 million sufficient to do the job in terms of core programs?

Mr. EARLE. Barely.

Chairman GILMAN. The gentleman's time has expired. Mr. Hastings.

Mr. HASTINGS. Thank you very much, Mr. Chairman.

Mr. Chairman, first, I would like to associate myself with the remarks of the ranking member, Mr. Hamilton, who very succinctly put the issue before us as to what is the hurry. Mr. Earle has highlighted for us, and I did not hear anything nor do I believe that there is anything that will refute what he said, and that is that there are not going to be any cost savings at least at ACDA in this consolidation that we are about to pursue. More importantly, what he said is that it will cost more, and we will get less.

And the question I ask is why the hell are we doing it? I do not understand when we do things like this. How often—you know, I am a new Member of Congress—how often do we micromanage the foreign policy apparatus of the United States of America? And if the purpose is for cost efficiency, then we need to be able to demonstrate that.

Toward that end, Mr. Atwood, can you answer for me whether or not in your knowledge there has been a bottom up review of the foreign affairs operations similar to what was done at the Pentagon for our military, or what is being done now at CIA, can you just give me a yes or no on that?

Mr. ATWOOD. No, there has not been, Congressman.

Mr. HASTINGS. Well, then my next question I guess is not a question.

Why is it that we want to legislate without the kind of careful review that we are giving the other elements of foreign and defense policy?

It is extremely disturbing to me that we are moving this way. And I will be adamantly opposed. Particularly as I look at you four gentlemen, and I think of all four of you under one umbrella. Because it is exceedingly difficult for me to understand how the separate functions that you undertake are now going to be thrust into yet another massive bureaucracy, and you are going to be more efficient.

I have a difficult time understanding that. I think Mr. Earle also said Yogi Berra's remarks, "If it ain't broke, don't fix it." And here we are about to undertake to do that.

Mr. Atwood, let me ask you specifically about an area of concern to me. Some of the proponents of this bill seem to suggest that they are keeping intact disaster relief and refugee assistance while cutting development assistance.

In your opinion, will this skew our USAID program away from prevention and make it driven solely by crisis?

And in the final analysis and my final statement is will it not be more expensive in the long run?

Mr. ATWOOD. It is my considered opinion, Congressman, that the cuts in this bill will mean that, ironically, over the next 5 years we will be spending more of the taxpayer's dollars on international affairs, assuming that the American people continue to drive us to respond to humanitarian crises, which they do. So I think that this will cost our Government a lot more money in the long run.

Mr. HASTINGS. I thank you very much.

And I yield back, Mr. Chairman.

Chairman GILMAN. I thank the gentleman for his comments.

Mr. Kim.

Mr. KIM. Thank you, Mr. Chairman.

I have to make a little blunt statement here. I do not know much about USIA, and ACDA, and USAID, and all of this. And on top of it, we have got NIS, SED, PKO, ESF, NDF, and the list goes on. I think that they all want to be independent agencies. All we are trying to do is consolidate, making sure that we have got better accountability by reorganizing it.

They are part of the State Department. I do not know why you are objecting. And that is the idea coming from your boss, Vice

President Al Gore, down-sizing, streamlining, consolidating. By doing that, government studies say that we can save \$30 billion. I do not blame you for wanting to be independent, you want to be the boss. You do not want to report to anybody.

But according to the report, you report to him anyway. You are having a staff meeting three times a week, and working closely with Mr. Christopher.

Why are you objecting to consolidating and making it part of the State Department? I still do not see the argument.

Why do you want to be an independent agency, why can you not just combine together to work with Mr. Christopher. I see a lot of overlapping duties.

Why are you objecting, can you just briefly tell me why?

Dr. DUFFEY. Is the question directed to—

Mr. KIM. Anyone can respond.

Mr. ATWOOD. I would like to take a crack at it first, and I know others would. We do not object to working with Secretary Christopher. We all work with Secretary Christopher. That is not what we object to. We do not object to consolidation either. Under the Vice President's National Performance Review Program, we are all consolidating, streamlining, and using techniques such as business area analyses to cut out bureaucratic hurdles and obstacles. We are all trying to do more with less.

We do not want, however, to become the Sears & Roebuck of government. We do not feel that bigger is better. We do not feel that it is essential to put a lot of disparate missions under a single roof, because we do not believe that those missions would be fulfilled as effectively and as cost effectively as they are now being pursued.

Mr. KIM. Mr. Chairman, if I may have another minute. What I would like to do is consolidate it, and then watch it, and perhaps eliminate certain agencies. And if we see a duplicative effort, the first step would be consolidation. I am not convinced why this is going to dramatically impact America adversely by consolidating, down-sizing, and perhaps eliminating certain agencies.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Kim.

Mr. Berman.

Mr. BERMAN. Thank you, Mr. Chairman.

I do not know much about de-massification. I know something about gasification, but not de-massification. I have no idea from a management perspective which theory makes the most sense. But I do know from 12 years of being on this committee. And I speak specifically to Chairman Gilman and to Chris Smith. Because in a number of these areas, you have had the same concerns that I have had, and we have watched what has happened.

And I know that the consequence of subordinating an ACDA, and an USIA, and an USAID inside a large State Department, without regard to who the administration is and who the President is, would lead to the subordination of certain critical issues that I think that want to see maintained as part of our foreign policy in a way that would be very detrimental.

So I am thinking of more of the policy consequences rather than the bureaucratic or fiscal consequences of all of this. I know that USIA in terms of broadcasting and exchange programs is respon-

sive to the desk officer for a particular country, and an ambassador to a particular country, who is dealing with the government of that country in trying to work things out in a diplomatic fashion, and most concerned about certain kinds of geopolitical issues that are affecting the bilateral and multilateral relation of that area.

He will be or she will be a constant pressure on the radios to not make waves, to not cause problems, to not have the kind of independence that we cherish and want in our radios that are talking about the news inside a country that the press in that country will not report, because it is not free, that brings the message of human rights, and democracy, and pluralism to the people of those countries in a way that will frequently upset the governmental leaders of that country, and will frequently undercut certain aspects of the State Department's work with those countries, but are still a critical part of our foreign policy.

I know that in the State Department and in the Commerce Department that the economic interests and the commercial interests understandably are critically important to the formulation of policy.

I am telling you that if the ACDA people are within the State Department in every case where there is a conflict between issues of proliferation or export of dangerous technologies and economic and commercial interests, the economic and commercial interests will win almost every single time. And the proliferation and the export control issues will be subordinated in a fashion that will not do us well.

Iraq is one of the classic examples where geopolitical considerations and economic considerations predominated over concerns about export of technology and true purposes with that government.

I know that the USAID that is now operating is doing more to make effective development assistance that gets to the people than could ever happen if it was subordinated inside the State Department. Once again, we want our Ambassadors, our desk officers, and our regional secretaries to be able to deal with the governments and pursue their diplomatic agendas effectively with those governments.

If the development assistance program is going to be under their control, it is going to have to go through those governments to maintain this relationship. With the separation that USAID has, you have an ability to have programs going to the people and non-governmental groups, circumventing the bureaucracies and the corruptions that exist in many of these governments.

In every single aspect of this, I think that the substantive nature of the programs is going to be hurt to the interests of American foreign policy, and particularly the interests that the two of you for so many years have been concerned about.

Getting that message of freedom, and pluralism, and democracy, and respect for human rights to the people, getting programs that really help people, not just putting money in the head of Zaire's pockets as part of development assistance to Zaire. And making sure that we are not exporting technologies that can lead to nuclear capability or weapons of mass destruction in some of these countries.

As you said in your opening comment, the world is still a dangerous place. I think that the policy implications of doing this—and I do not speak with respect to a specific administration here. I have just seen these natural pressures that exist from Reagan to Bush to Clinton that will continue to exist in the future. And this consolidation proposal will undermine what we have been trying to fight for over the years.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Berman.

Mrs. Meyers.

Mrs. MEYERS. Yes, Mr. Chairman. I would like to make some comments, and then have a comment from you on the comments.

It seems to me that the day to day pressures in USIA that you commented on are going to be the same regardless, whether or not you are in a separate building under a separate chairman. Those pressures are going to be there.

We are not talking about combining Agriculture and HUD. You do not have disparate missions. You all have the mission of promoting the foreign policy interests of the United States. And it does not seem to me that there is a reason why you should not all report to the head of the foreign policy department.

Now I understand what you are saying about the difficulties and the stresses that occur, because of the conflicts that occur between your missions. But they are not truly separate missions.

Let me talk for just a minute about the budget. Because I think that to a certain extent—I have been extremely supportive of all of you, of all of your agencies, and of foreign aid. But to a certain extent, I think that we are all in denial here.

If you look at the budget, the largest part is Social Security. That is 22 percent. The next largest part is defense at 18 percent. The next largest part is interest on the debt at 14 percent. The next largest part is Medicare at 10 percent. And the next largest part is Medicaid at 5 percent. Those are the big five.

And you add them all together, and they make up 70 percent of the Federal budget. And everything else you can think of is in that remaining 30 percent. Function 150 is what, 1 to 2 percent of the total Federal budget?

Now Social Security in most people's eyes is off the table. Defense, we have made dramatic cuts in defense since I got here. Interest on the debt, we cannot do anything about. If we can hold on to Medicare and Medicaid at those percentages of the Federal budget, I will be surprised.

And this means that any cuts that are to come are going to have to come to a limited extent from defense, which we have already cut greatly, and in that remaining 30 percent.

Now according to a lot of budget scenarios, just thinking out loud with people, if we are going to arrive at a balanced budget by 2002, Function 150 is going to have to be cut by \$25 to \$30 billion over a 7-year period.

Now I would like to have you, maybe not in the next minute, or not this morning, but I would like to have you think through with us how we can best accomplish that.

Because when I first got here, Mr. Chairman, defense was 28 percent of the budget, and interest on the debt was 14. Interest on

the debt was just half of what we spend on defense. Now defense is 18, and interest on the debt is 15.

It is not going to be very many years until we are spending more on interest on the debt than we are spending on defense. We simply have to get there from here. We have to shrink the deficit, and make sufficient inroads on the debt, so that we can reduce that interest on the debt.

And people keep coming before us and saying we cannot do this, we cannot economize, we cannot change, we cannot consolidate. I need to have some reaction from you to all of this.

Dr. DUFFEY. May I respond. First of all, I think that we are in solid agreement about the fiscal realities. I would go further to say that I think our ability to get hold of our deficit and manage our economy is now an important foreign policy issue. We may do as much damage around the world by our inability to manage our economy, as we try to remedy by some of our programs.

The position that we are taking, at least speaking for myself, and I think that everyone here is part of this effort, does not have to do with the question of objecting to those reductions. It is our responsibility to point out the implications of some of those reductions, so that together we try to set our priorities. But there is nothing in the consolidation plan that achieves those reductions. The hard decisions still have to be made about the functions and the organization.

So I think that our approach is to try to suggest that a more efficient and effective organization may emerge with the coordination of the institutions that now exist. I think that it is a misnomer, and I said this the last time I came here, to say that they are independent.

We all work for and with the Secretary of State. He sets the policy and the pattern. I hope that this committee at the end of the day will ask the administration to come back to show how within the strictures that are necessary for this budget resource that there is a credible plan for organization.

I think that we need to look at that in contrast or at least compared to the consolidation proposal. But it does have to do with the economic reality, which I think you described eloquently and very accurately.

Mr. ATWOOD. Mrs. Meyers, I would just like to take one crack at that. I think that there are two ways to balance the budget. There is no question that you are reflecting the consensus of Congress, the executive branch, the two parties, and the American people. We all want to move in this direction.

One way is to take these very small parts of the Federal budget, the 150 account is about 1 percent of the Federal budget, and try to reduce that. And we are trying responsibly to do that.

The other is to look at where the growth areas may be. In this particular area, the fastest growing sector of our economy is the export sector. Economists predict that after the GATT treaty the potential for economic growth in the world is another trillion dollars in the next decade.

The question is what will be the American share, No. 1. And two, what are the prospects that that growth could be disrupted by chaos, by disasters, et cetera.

When you are talking about national security and foreign policy we have to be very, very cautious about finding limited savings that would prevent us from making the investments that we need to enhance the benefits that will come out of international engagement.

Mrs. MEYERS. Mr. Chairman, I thank you very much. I want to say that I think that the gentlemen have done a fine job, and their agencies have done a fine job. It is just that we are not going to be able to continue in the way that we have been in the past. And I think that it is going to require major policy changes and major structural changes. And it is going to be very, very difficult and probably traumatic for all of us.

Chairman GILMAN. The gentlelady's time has expired. Thank you, Mrs. Meyers.

Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman.

I am going to take somewhat the tact that the ranking member took. So the witnesses can sit back a moment. I want to put myself on the record as to where I stand.

You cannot underestimate the importance of the U.S. State Department today for every nation in the world. America's foreign policy as carried out by the State Department really holds the key to whether the 21st century is going to be one of worldwide peace and prosperity, or one that will be dominated by dictatorships and destruction, not only of our fundamental principles but of the peoples and the kinds of bridges that have been built since World War II between nations.

I think that we ought to be beefing up the State Department and not tearing it down. With regard to USAID, we need to bear in mind that every second of every day that four new members of the human race are born, and two of them will go hungry. And the people of the Agency for International Development and the know how that they carry with them is really the key to enabling their governments to feed those new members of the human race.

And unless we address the most basic fiscal needs of people particularly in Third World countries, they will ultimately become a threat to the most basic security interests of the United States.

With regard to USIA, I was just over in Belgrade, Serbia, and saw firsthand the impact of state controlled media. Most Serbs are not predisposed to kill Bosnian men, and rape their women, and pillage their villages. But when the state run television shows them pictures that purported to be of Serb babies being thrown to the animals in the Sarajevo zoo, when the truth is that the animals in the zoo also starved to death because the zoo keepers could not get to them because of Serb sniper fire. Or when the state controlled television brought out these vintage World War II photos and purported them to be pictures of Serb babies hanging on meat hooks.

Things that we cannot imagine could ever be taken seriously in this day and age, and yet there is no limit to the destructive power of state controlled propaganda when it is not countered with the truth that USIA has the capability of delivering throughout the world, particularly in places like Yugoslavia.

Likewise in Rwanda, all of the Hutus were not predisposed to massacre Tutsis. But when the state controlled, or I should say when the radio station that was controlled by the Hutu extremists continued to tell them about the kinds of massacres that were purportedly being carried out by Tutsis against Hutus, that had the kind of desired effect that ultimately resulted in the massacre of hundreds of thousands of people.

The point of bringing these examples up that would seem hard to believe in this day and age is that we desperately need an expanded U.S. Information Agency, Voice of America, and all of the related capabilities that we have for spreading the truth to people who otherwise would not have it.

And likewise and lastly with the Arms Control and Disarmament Agency, today's threat of nuclear, and chemical, and biological weapons is greater than it has ever been. The technological capability is greater than it has ever been. And it threatens the most ardent isolationist in the Michigan Militia, just as much as it does Foreign Service personnel in the State Department in Washington. It is the media threat to all of us.

And if we should be doing anything to protect America's security interest, it should be through the method of expanding the capability of the Arms Control and Disarmament Agency.

We are going in the wrong direction with much of the proposed legislation that has been suggested. And I would hope that the very fine knowledgeable people on the other side of the aisle that we are going to depend upon to moderate some of the extremism that we read about in the papers are in fact going to be heard, and their impact will be felt on the foreign policy authorization that will come out of this committee. And I hope that we will be able to work with them.

We cannot, as I said at the beginning, underestimate the importance of a very, very strong foreign policy structure. And to have the strength of that structure preserved, I think that we need to preserve the autonomy of the four agencies represented here today.

Thank you, Mr. Chairman.

Mr. SMITH. The Chair recognizes Mr. Brownback.

Mr. BROWNBACK. Thank you, Mr. Chairman. I appreciate that.

And I want to start by associating myself with Mrs. Meyers' comments. Although she has left the room, I think that she really aptly put the entire situation quite well.

I also want to congratulate the agencies for the success that you have produced. We have won a cold war. We have exerted U.S. leadership around the world, and have done a very fine job of it. It has been quite a successful mission that you have been on. A number of us look to moving on to some other missions now, as we go on forward.

I noted in both Mr. Atwood's and Dr. Duffey's testimony, that both of you state that with or without a merger, savings will only be achieved by eliminating programs or cutting personnel. I mean basically you both said that at one point or another in your testimony.

Is that accurate?

Mr. ATWOOD. Yes.

Dr. DUFFEY. Yes.

Mr. BROWNBACk. I presume in your response to Mrs. Meyers' comments that you were stating to her that what you would rather do is not be merged, but cut yourselves way back to achieve the savings that we are asking for.

Is that accurate?

Dr. DUFFEY. Well, I think—

Mr. BROWNBACk. You rather not cut yourself back. I understand.

Dr. DUFFEY. I think that we are confronting this. As I said, this is a foreign policy consideration. That we work together to manage the Federal deficit. It has to do with U.S. leadership around the world. But there are a number of steps that we are already taking.

For example, this past week, USIA and USAID culminated an effort that we have been engaged in for more than a year to combine our financial systems. USAID had developed a financial system, which we are adopting, saving taxpayers substantial funding.

Mr. BROWNBACk. I think that you have got some of that in your testimony of what you are doing now.

Dr. DUFFEY. Mr. Moose led us 2 years in combining our travel services. So there are a number of ways in which we can achieve those savings.

Mr. BROWNBACk. Dr. Duffey, how much do you think that you could achieve savings-wise, what do you think that we can achieve percentage-wise of USIA functions by you staying on your own and cutting your own programs back to what we ought to do in a post-cold war world, what percentage of savings out of USIA?

Dr. DUFFEY. Well, I think that we could meet whatever targets we need to meet. We have to determine that, and of course is one of the most critical things. USIA, of course, is a small agency.

Mr. BROWNBACk. A 50-percent target?

Dr. DUFFEY. I think that 50 percent would be a very severe cut, and we ought to look carefully at the cost. But at USIA, this is not the agency that it was 2 years ago. There are a significant number of things that we no longer do, and have changed.

Mr. BROWNBACk. How long then to do this, how long do you think that it would take for you, say we say that you have got to come up with a 60 percent reduction in program funding, before you could come up with a plan or proposal to be able to do that?

Dr. DUFFEY. I think that is a steep target. I suggested it at the last of my remarks. I think that you want us to do this with as much consideration for the orderly conduct of business, and the protection of our national interest, and some consideration for the men and women whose lives, and families, and futures are involved.

So if we had the resources for transition training, the separation pay, the kind of elements that would enable us to deal with this over time, I think that we can meet whatever goals we have to meet.

Mr. BROWNBACk. Over a 1-year period of time?

Dr. DUFFEY. Excuse me.

Mr. BROWNBACk. Over 1 year?

Dr. DUFFEY. No, I do not think that can be done over 1 year. I do not think that any institution could make that kind of cut over 1 year. Obviously, it could be done.

Mr. BROWNBACk. Two years?

Dr. DUFFEY. Well, what is the figure, Congressman?

Mr. BROWNBACk. Sixty percent.

Dr. DUFFEY. Sixty percent. I have not heard that figure before, but 60 percent. We could come back to you with a plan, if that were the will of the Congress, and also with an impact. I am sure that the Congress would want to know what is the price we would pay.

Mr. BROWNBACk. But you cannot give me a timeframe?

Mr. ATWOOD. Mr. Brownback, where I suggest that this line of questioning is leading us to is to suggest that we can develop a consensus between the parties and between the executive branch and the Congress as to what our national interests are, and I am not suggesting that we have yet done that in the post-cold war world.

But I think that there is a lot of consensus about what our international interests are. And what you are questioning us on is how can you take these interests that are here and squeeze them into a strait jacket, which is your budget problem. Now this is a serious problem.

Mr. BROWNBACk. Our budget problem.

Mr. ATWOOD. That is what I said. That is our budget problem. We are all on a train toward trying to get this balanced budget by the year 2002. Everyone concedes that. But you also have to make investments in order to cause economic growth, which will produce revenues, that will also help us to balance that budget.

Mr. BROWNBACk. Thank you, Mr. Chairman.

Mr. SMITH. The time of the gentleman has expired. The Chair recognizes Mr. Menendez.

Mr. MENENDEZ. Thank you, Mr. Chairman. I want to first start off by thanking all of the witnesses for I think their excellent testimony. All of us come to this question from different ways. I am not supportive of the legislation.

I am not supportive, however, for various reasons, starting off with that the last thing I want to do is give one of the departments that I think is least responsive and least consultative in their process, meaning the State Department, even greater agencies to be less responsive to the Congress: agencies—having witnessed for over 2 years since I have been here—agencies that are very responsive to the Congress.

So, I ask my colleagues, when they are thinking about this to think about it in many different respects. You know, I have listened to my colleagues talk about smaller bureaucracies in the last several months. And yet today and in the days to come this week we are going to be talking about creating greater bureaucracies.

I have listened to the majority speak about decentralizing government and returning power to the States and to the people. And yet, this effort greatly centralizes government.

And so with juxtaposition of those views, I can only believe that in the mad fury of the meat ax approach to the budget problems we have, we find ourselves with a meat ax approach instead of with the surgeon's knife which is what I hear the testimony of the witnesses say that we are in this together. But there is a better way both fiscally and policy-wise to move ahead.

You know, I think it is very easy for these agencies to lose their missions when they become so subservient. Yes, we want inter-

action and coordination. But not when they become so subservient as part of the State Department.

I have never seen it and I have colleagues here who have been here a lot longer, I have never seen someone in a subordinate position in the State Department go ahead and say, Mr. Secretary, you are wrong. And in arms development and proliferation, clearly we need to have that check and balance. And the members of the committee should be considering what are we losing the check and balance approach that we have with the independency of these agencies.

I think that we will also find as Members of Congress, representatives of the people here, that the critical questions such as those that, in terms of developing policy will be less detectable by Members of Congress and members of this committee, when these agencies no longer are before you independently, when they sit and reside within the State Department and the State Department decides who they send up here to testify.

It becomes even more difficult to ascertain what is the right question in developmental assistance? What is the right question in USIA projection throughout the world? What is the right answer to going ahead—and development and questions of nuclear proliferation? I think it is going to be very hard for us to detect that on behalf of the American people.

Most management specialists will tell you that decentralized specialized units are always more effective. And I guess we are flying against the face of all of that. And I would like to just lastly put this question to Mr. Atwood. You know, I have seen and also to Mr. Moose, two separate questions.

One is we have heard a lot of my colleagues here talk about the values of foreign trade to our country, as it is proposed and what it can bring. You say in page 9 of your testimony that people simply fail to recognize today's global competition for goods, for ideas and for national advantage.

Mr. Atwood says that in some parts of the world, these cuts would clearly benefit the trade prospects for our economic competitors while undermining the growth of U.S. exports to developing markets. I would like to hear you expound upon that because that means money and jobs for Americans.

And lastly, Mr. Atwood, I want you to tell me if this analysis that I come to is wrong as it relates to development assistance. Trade alone will not solve some of the problems we have throughout the world. I do not see it solving the 50 percent of people below the poverty level in this hemisphere in and of itself. Developmental assistance is part of our foreign policy tool and it creates hope.

Now, if there is no hope, there is despair. And where there is despair, it kindles anger. And where there is anger, usually violence approaches. And when there is violence, unfortunately more times than not, there is more loss of life.

And what I see is us being dragged in because of these massive changes in both policy and cuts in developmental assistance into a situation which we will find greater immigration problems and also greater threats that we will find ourselves forced to respond to militarily. I would like you to answer those two questions. Thank you, Mr. Chairman.

Mr. MOOSE. I would like to speak to your question in the context of responsiveness, Mr. Menendez. The State Department has responded over the last few years in a very strong way to the desire of our people, to our business, our financial community to expand American markets and opportunities overseas.

I regularly, in my position, see two or three or four American Ambassadors a week when they come back for things. I was with two of them yesterday. One of them, our Ambassador to Bangladesh, the other one, our Ambassador to Italy. Each of them recounted to me spontaneously various activities that they have been engaged in, in the very recent past, for the specific benefit of American investment and job creation.

Our embassies and missions abroad are platforms from which a number of activities quite responsive to the interests, concerns, of the American people are mounted. And as a part of our strategic management initiative, one of the strong conclusions that was pushed to the Secretary of State by our employee groups which carried out this review was a desire to continue enhancing the responsiveness of our State Department to the new changing agenda of the American public and the American people.

We reached out and interviewed some 100 different groups who in one way or another have a relationship or an interest in the State Department in order to find out what they wanted us to do. And you are right in a sense, Mr. Menendez. They said we do a great job abroad, but maybe we do not listen enough here at home.

So we are listening. I heard you and I look forward to carrying on the dialogue because I do think that we are helping abroad in the economic area in particular.

Chairman GILMAN. The gentleman's time has expired. Mr. Rohrabacher.

Mr. MENENDEZ. I had a two-part question. Could I have Mr. Atwood answer please?

Chairman GILMAN. I am sorry.

Mr. ATWOOD. Mr. Menendez, development is a precursor to trade. American companies do not try to trade with poor countries. As you well know, in Latin America in the 1950's and 1960's there was very little trade, very few exports to Latin America. Last year we had \$90 billion worth of exports thanks to the success of our development programs.

When we talk about competition with other countries that are also engaged in trying to increase their own economic growth through trade, we have the advantage of having created markets ourselves. Our USAID program, for example, today is writing a commercial code with the Indonesian Government. We are trying to create an enabling environment by working on tax laws, customs, procedures, with Russians, Eastern Europeans, and with countries in Africa and the like.

We are working directly to try to strengthen private sectors. If they are working with Americans on these tasks, they are much more likely to come to American businesses. The only ones who will be advantaged by legislation such as you have before you or with efforts to try to abolish or harm our USAID program will be the business people in Europe or Japan. They will be dancing in the streets.

Chairman GILMAN. The gentleman's time has expired. Mr. Rohrabacher.

Mr. ROHRABACHER. Well, I am happy to hear the people overseas are dancing in the streets about all of our development programs which you are giving so much credit to. I mean, I just have to tell you I just came back from Asia and development programs are not what makes human progress in Third World countries. I have severe doubts that our development programs in some countries have actually worked against the best interests of those people and there have been numerous articles about that.

And in Asia and those countries, they realized a long time ago that it was their own policies of their government, much more than any development program from the United States, which will determine their destiny. And that is why they are doing well and those people who are relying on our decisionmaking, our development programs are still stuck in the mud.

We have heard today that we cannot make major changes in the structure of our foreign policy establishment because Hutus are killing Tutsis and Serbs are killing Bosnians and 50 percent of the hemisphere is still living in poverty. And it is just this type of nonsensical thinking that I think prevents any type of reform in Washington, DC, not just in the foreign policy area, but throughout our Government. That is why we are heading our country on a pathway to absolute economic oblivion by not being able to make our Government work efficiently and also not being able to bring our budget under control.

And we can talk all day long about people dancing in the streets overseas. We can talk about Hutus and Tutsis. We can talk about Serbians and Bosnians. We can talk about poverty in Latin America. But if we do not get our budget under control, our country is in trouble and our country is in trouble right now. The purpose of this piece of legislation is trying to force some major efforts at reform in USIA and State Department aid and arms control agencies.

What we have to do in order to get that reform movement going and get some changes, some fundamental structural changes, is we have got to be willing to make these basic decisions and basically force people to do this.

Once we have, and the chairman will correct me if I am wrong, but what we are trying to do here in our consolidation is not consolidation for consolidation's sake. What we plan to do is consolidate these agencies so that we can reduce the number of Federal employees and make these, and make our foreign policy establishment much more efficient.

And we are not going to see a down-sizing or an elimination of unnecessary jobs until we have such consolidation. That is what this debate is about today and the reason why our country is in trouble right now, which has been demonstrated in the testimony and the statements from the other side of the aisle, they are unwilling to do those things that create change in the current establishment for all sorts of reasons, whether it is the Tutsis killing the Hutus or the Serbians killing the Bosnians or the poverty in the hemisphere.

Mr. Chairman, I would like to thank you for the leadership you are providing on this and the testimony today has consolidated my

position on this issue because what I have heard from the other side and what I have heard frankly arguments why we should not do this, make no sense.

I would like to ask one question in the end and I would like to ask this not of our panelists but instead of the audience who have come here today. Those of you who are currently employed or under contract for USIA or any of the departments or agencies that are under consideration today, could you please stand so I can see how many people we have here from these various departments and agencies? OK.

So anybody else who is under contract or working for these departments? Those people who are not in any way associated with these departments and agencies, could you stand please? OK.

So we have got a pretty heavy majority of people in the room here who are not really representing the citizens, but are really here watching out for their, you know, the interest of their agency, which is fine. Well, I guess what I am trying to say here is that represents a lot of payroll money right here.

I mean, this is a lot of money that is being spent right here today on listening to this testimony. If you have got so many people you can have them down here listening to us, maybe there is some room for cuts. Thank you, very much.

Chairman GILMAN. I thank the gentleman. The gentleman's time has expired. Mr. Payne.

Mr. PAYNE. Thank you, Mr. Chairman. We kind of go from the ridiculous to the sublime. But let me just say that you know when we continually talk about restructuring for the fact of restructuring, I think that it was clear that the USAID recently for the past several years have been restructuring and sort of been working on an agency which was not previously functioning well because of some internal problems. But that once you get functional stability, then to reorganize for the fact of reorganizing, for the sake of reorganizing, does not make any sense.

You know, to talk about massive savings when a portion of the budget is approximately less than 1 percent, one of the things that is very interesting is that we do have a lot of new Members of Congress. And the average one thought that we were spending 15 percent of our budget.

I would hope that one of the things we could do is to maybe have a Political International Affairs 101 to talk about the fact that we are spending less than 1 percent of our budget on foreign assistance. And I do not know how much you can cut out of 1 percent. I mean, how are you going to move toward balancing a budget, taking something as minuscule at the present time and even making it less?

And I think it is been made very clearly that in order to have new markets there has to be stability. And I think in different regions of the world where they have gone through independence from colonial powers and in Africa and Latin America in particular I guess during the 1950's and 1960's. And then they had internal struggle and the cold war situation.

And now with the post-cold war era, it is the time when democracy is picking up all around in many countries, southern Africa you have a tremendous amount of stability. And this would be the

time where our USAID programs and USIA programs and other programs of this nature could then move forward with help from the State Department to then try to get the benefits of these number of years of going through the struggles with the countries, post-independence, cold war, now post-cold war.

And so it seems to me that it is really taken an investment that we put in during the last 30, 40 years and just discarding it and throwing it away when it can come to fruition. We have never seen a report from the GAO that would indicate how much savings could actually be made because they said they did not have time to put it together in this short period of time.

And so just concluding, I could not disagree with this legislation as the previous speaker from New Jersey indicated it does not make sense. We are moving toward a new era in developing world markets. We are going into GATT talks that have been concluded and NAFTA treaties. We have been asked to participate in South-east Asia, treaties with Australia and the countries and Indonesia and that region.

And as we are making an impact in those places, for us to start to withdraw and start to shrink and to lessen our impact like I said it is just fool hearty, makes no sense. It is bad business and I think that it will have an impact on our presence in the future. I do not have any questions, but just wanted, Mr. Chairman, to make those observations.

Chairman GILMAN. I thank the gentleman for those comments. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. I really do not have any questions either and I am loathe to sort of gas off and give you my own opinions, but I will if you will bear with me. I would like to share. I believe in the balanced budget concept. I think if we do not get our cash receipts under control, whether it is trade or our operating budget, we are in big trouble. We know that. We are going to be about it. I do not know whether 7 years is a good time, but anyway that is the goal we have set.

I guess I would just like to ask you to bear with us while we are wrestling through this agonizing process. It is not you versus us. I mean, it is us together. And we have got certain targets. You know them. We are all defending our own positions because we believe they are right. If not, we would not be here. We are trying to get this budget under control by making some of the basic decisions.

I do think, Mr. Chairman, if I could just share this just general comment, I think it is wrong to get into a bidding war. Dr. Duffey, I would not say, well, if you have to go 60 percent we will do it or 40 percent. I mean, that is not the way to do this thing. It is a combination of what you really need versus what we can afford. And in any budget negotiations, and I assume this has happened. If it has not, it ought to. You ought to say this is what we really need to do the core operations. And then we can say this and this is all we can afford. And then you negotiate from there.

As far as consolidations are concerned, I asked myself that question. Would it be a good idea? Why not give on this issue? Why not consolidate? Then I suppose you could say why do we not just have three departments? Why do we not have a human department, a

money department and another department? You know, why is it important?

However, from an organization standpoint, it does not make any sense at all. Because what the Japanese have told us in business, and they are telling us in other words, the flatter the organization the better. And I know this particularly having been in business for many years. And when the commerce element was taken out of the State Department and put in commerce, business received the type of help that it needed. It was not getting it before. It is not because the people in the State Department were not capable of it, were not interested in it. That was not their bag.

So I think it is extraordinarily important here. The budget is a total document and must be looked at that way. If you are trying to cut costs, you do not only look at the costs for tomorrow. You look over the next hill and see what it is going to be, what your investments are. You do not cut research and development, for example, in a company that wants to use that as a wellspring of opportunity. If you want to have a bigger share of the market, you do not cut your sales force.

And so I think we have got to look at the totality of this budget in terms of where we want to position the United States. And it is not just taking the knife out and cutting it and we are getting done with this thing. The revenues are extraordinarily important as well as the cost and we have got to look at that too.

So to sum up here, there are just a few casual comments. I do think that you can help us as we would like to be able to help our total country in going through this thing, but I would not get in a bidding war. I think it is wrong. I think it is crazy, for example, in taking a look at Mr. Earl's program of when we worried about proliferation of nuclear weapons to cutting out an agency. I mean, that does not make any sense at all.

So although we want to save the money, you have to look at this in terms of the total package. Thank you very much, Mr. Chairman.

Chairman GILMAN. I thank the gentleman for his comment. This committee will be marking up our reorganization proposals tomorrow. So I would ask our agency department heads who are here to send us any technical changes by the close of business today and we will take up the entire bill on Thursday and plan to report it out by Friday. I want to thank our distinguished panelists. Did you have some comment, Dr. Duffey?

Dr. DUFFEY. Mr. Chairman, there is a statement recently prepared by a number of men and women from various political spectrums, various parts of the political spectrum, that I would like to submit later for the record that it might be included before your markup.

Chairman GILMAN. Well, thank you. We will be pleased to include it in the record. The committee stands adjourned.

[Whereupon, at 12:15 p.m. the committee was adjourned.]

APPENDIX

RECORD STATEMENT OF
THE HONORABLE RICHARD M. MOOSE
UNDER SECRETARY OF STATE FOR MANAGEMENT

On behalf of Secretary Christopher, I welcome the chance to appear before this important committee to present our views on how the State Department and the other foreign affairs agencies should be organized to serve the interests of the American people. My colleagues and I wish to emphasize, as we did last week in the other body that, in light of the importance of this issue and on the basis of procedural fairness, we request that each of us be allowed to appear again before your committee should legislation be introduced relating to how our agencies are to be organized.

A fundamental premise of the Clinton Administration's foreign policy is that America must remain engaged in the world in order to advance America's enduring interests. President Clinton and Secretary Christopher are also determined that a Democratic President and Republican majority in Congress can and will work together to maintain our nation's leadership in the world. As President Clinton said in his recent Nixon Center speech, "If we are to continue to improve the security and prosperity of all our people, then the tradition of American leadership must prevail."

With the end of the Cold War, we have a remarkable chance to shape a world conducive to American interests and consistent with American values. But the post-Cold War world has also presented us with a vast and diverse array of formidable new challenges from nuclear smuggling to the threat of global warming--challenges to which our foreign affairs agencies must be able to respond with imagination, speed and flexibility.

Our ability to respond to events in this fast-changing international environment rests on two pillars:

- The first is active policy coordination by the Secretary of State.
- The second is the unique body of knowledge and capabilities of the State Department and the specialized foreign affairs agencies -- especially USAID, USIA, and ACDA -- that the United States has developed to advance our international interests.

Just over two years ago, President Clinton took office determined to renew America's strength at home and abroad. He took office determined to reduce the budget deficit--and determined to meet the taxpayers' insistence that we make all federal agencies more efficient and cost-effective. That is why the President asked Vice President Gore to spearhead an energetic effort to reinvent government.

The National Performance Review has given all of us in the foreign affairs community renewed incentive to strengthen our mechanisms for coordination and interaction. It has also re-emphasized the value of matching resources and structure to our priority missions, not vice versa.

Since the beginning of this Administration, we have been committed to making the State Department leaner and more efficient. In the last two years, we have closed 17 posts overseas. We have 1,100 fewer positions at State now than in 1993.

We have abolished more than 20 percent of Deputy Assistant Secretary or equivalent positions. We have reduced total senior officer positions to the point where we will meet Congressional targets ahead of schedule.

That streamlining process is continuing now with the Strategic Management Initiative (SMI). About two weeks ago, Secretary Christopher introduced his ideas for re-structuring the Department of State to the Department's employees at a town meeting. Begun last September, the SMI is in the Secretary's words, our "process for forging a comprehensive strategy for change." It is designed to enable the Department to fulfill what he called a "simple vision":

I want the State Department (he said) to serve the President and American citizens with imagination, dedication and efficiency. I want us to lead the U.S. Government in the formulation and implementation of foreign policy. I want us to hire the best people, treat them fairly, train them well, and give them the direction and resources they need."

Secretary Christopher carefully considered many diverse ideas put forth through the SMI by employee working groups and the Department's senior leadership, including some that would significantly alter the structure and processes of our foreign policy institutions. Let me quickly review the Secretary's Strategic Management Initiative and how it will strengthen American engagement and our ability to respond to new global challenges:

- o First, teamwork. We see the team concept as the basis for strengthening coordination and interaction both within the State Department and in supporting the Secretary's foreign policy leadership role. From top-level policy coordination with the heads of USAID, USIA and ACDA to the desk officer who relies on inter-bureau and inter-agency country teams to manage relations, teamwork will sharpen our policy development and reduce bureaucratic red tape.
- o Second, our overseas missions are essential to our ability to respond quickly and appropriately to world events. Our Embassies do excellent work, but staffing sometimes bears more relation to historic factors than current needs. We are working through SMI and with other agencies to establish rational standards for overseas staffing, achieve greater efficiency in Administrative support and devise a more equitable way to share these support costs. In addition, State will close a further 15 posts in FY96.

- Third, changing the way we do business. The Secretary wants to push greater responsibility downward in the organization, and to reduce drastically the number of layers, the number of clearers, the number of checkers between our very capable experts and action officers and himself and the other decision makers.

The Secretary also has asked me to accelerate the re-engineering of headquarters administrative support in order to increase our investment in diplomatic readiness, including the modernization of our information technology.

- Finally, reporting and analysis, another of State's core strengths, needs to take better account of the information revolution and the needs of decision-makers. We need to concentrate more on "value-added" interpretation, and less on factual information that is available in newspapers, on TV or elsewhere. We will also be working with Congress to eliminate unneeded reports and to make sure that sunset provisions are added to both existing and future Congressionally-mandated reporting. Yesterday's reporting requirements do not necessarily meet tomorrow's information needs.

Seven working groups are developing specific implementation plans for the strategy that the Secretary laid out, with instructions to complete their work by mid-April.

Each of the foreign affairs agencies is proceeding vigorously with its own streamlining efforts. Based on instructions from the Vice President, State representatives have been meeting with their counterparts from AID, ACDA, and USIA to review areas of possible overlap and duplication and to establish common administrative services.

Establishing common administrative support services among the agencies is the job of 12 working groups. They are examining "best practices", looking for economies of scale, establishing common rules and standards and, in all of this, putting the customer first.

STATE/USAID/USIA/ACDA have combined, or agreed to combine, 24 domestic administrative operations, ranging from printing services to computer security. These include:

Storage of Household Goods
Foreign Language Training
Area Studies Training
Dependent Training and Orientation Programs
Retirement Planning/Career Transition Services
Drug Free Workplace
Occupational Safety and Health Services
Motor Pool Services (does not include USIA because it is not co-located)

Electronic Voice Mail (does not yet include USIA because it is not co-located)
International Mail Service
Building Security Services (does not include USIA, which contracts from GSA)
Shared CD-ROM Regulatory Information Services
Domestic Telecommunications
Computer Hardware/Software Purchase
Personnel Policy Development
Travel and Transportation Policy Development
Security and General Briefings for Personnel Being Assigned Overseas
Ridesharing
Overseas Residential Furniture Purchase
Printing Services
Computer Security Services
Medical Clearance Procedures for Assignment Overseas
Co-location of Mainframe Computers (State and USAID)
Family Liaison Services

In the training area the National Foreign Affairs Training Center (NFATC) trains employees of 44 federal agencies.

Furthermore, we are also working actively to expand on the cooperative efforts listed above. These include the following additional areas for potential common services, ranging from common security clearances to joint information systems development:

Travel Management
Co-location of Records Management Facilities
Personal Property Claims Processing
Common Building Access
Security Clearances
Officer Orientation Course
Contracting
Simplified Travel Vouchers
Printing and Reproduction
Warehousing
Systems Development

We will also increase the compatibility of all management information systems, e-mail, Internet and secure messaging. This effort will enable "virtual consolidation" of a number of management and topical organizations.

I will soon be providing a formal report with more detailed information on these issues. I realize that these administrative support issues have also been of interest to this Committee and we will need your support for some of the steps we will be proposing.

In a broader context, under the auspices of the President's Management Council (PMC), State/USIA/USAID, together with the FCS and several other Departments and agencies, are currently examining the feasibility of combined administrative support units overseas.

Under this concept, one or more agencies would take the lead in managing and providing administrative services under the general oversight of a local "Board of Directors." The agency with the best current skills and systems, such as procurement or contracting, would perform that function on behalf of all other agencies where that agency has personnel in place. This initiative may require asking for additional legislative authority.

This same PMC study is now reviewing the financing of overseas administrative support functions with the purpose of devising a financing mechanism which will be simple, transparent (including to the Congress) and equitable to all agencies. Placing our overseas foreign policy platform on such a sound footing is an essential aspect of our diplomatic readiness. This is a problem which Secretary Christopher is interested in resolving urgently.

In early 1995, as part of our Strategic Management Initiative (SMI), the State Department and the American Foreign Service Association undertook a thorough review of the travel order and transfer process in an effort to make it cheaper, more efficient and more customer friendly.

The results of this review soon will be made available to the other foreign affairs agencies. It is the Department's hope that this process will identify other possible areas for consolidation. The operating changes I have described will contribute their proportional part of the savings that the Administration committed to in the President's FY 1996 Budget.

The complexities in operating 266 posts in 163 countries are enormous. The practical demands on our administrative people are often overwhelming. But while administrative support arrangements are important, our management efforts are not an end in themselves. They matter because they support the programs of the State Department and all of the other Federal agencies that operate overseas. Our mission is to maintain our effective readiness to advance the interests of the American people worldwide.

State is largely a policy agency. We cannot cut back in lean times by having half as much policy toward Russia this year, or by reducing human rights concern by 30 percent.

We cannot maintain effectiveness by cutting what is misleadingly labeled "overhead." We cannot gut the programs from all agencies and 150 account functions that allow us to make a difference around the world without undermining some of the most the important "policy" interests of the American people.

Mr. Chairman, in this context, I wish to speak very clearly about the dramatic consolidation proposals that you recently expressed an interest in introducing as legislation in the near future. As we understand them, these proposals would do away with some of our sister agencies and consolidate them into the State Department.

As Secretary Christopher has made clear to Department employees, he believed that the NPR process must take fundamental steps to improve how we do the nation's business overseas. This meant it had to examine a full range of ideas including the possibility of consolidating agencies and functions. With that purpose in mind, he shared a range of ideas with the Vice President's NPR team. But the Secretary himself never endorsed any specific plan, nor did he seek any preconceived outcome.

In this regard, as was announced by the White House on February 15, the Vice President concluded that "the core functions of USAID--sustainable development, USIA--public diplomacy, and ACDA--arms control are as important in the post-Cold War period as they were before and they can be most effectively carried out by independent agencies working closely with State Department offices." The Secretary of State fully agrees with and supports that conclusion.

Mr. Chairman, as the Vice President wrote on February 21: "the idea of absorbing USAID, ACDA and USIA into a single, large super-Department risked creating a super-bureaucracy. It violated the basic principles of reinvention: cut red tape and cut back to basics."

Consolidation and reform are not synonymous. We believe that encouraging sustainable development, providing humanitarian assistance, advancing public diplomacy and promoting arms control are essential missions of our foreign policy. In re-examining the strengths and purposes of each of the foreign affairs agencies that support our overall foreign policy, we have identified separate but complementary missions that are best pursued by leaner, more effective independent institutions under the overall foreign policy guidance of the Secretary of State.

Despite these concerns, we do believe that the Executive Branch and the Congress need to work together to reassess how the United States Government promotes the interests of the American people overseas. Indeed, the Vice President's National Performance Review is creating real change at a fast pace.

As the Presidentially appointed and Congressionally confirmed manager of the State Department, I believe that it is the Executive branch which has the responsibility to take the lead in how each of our agencies are to be organized.

We take this responsibility to the American people and the Congress seriously and seek to manage our organizations in a manner that yields the best results possible with the resources that are made available to us.

In this regard, I also believe deeply that Secretary Christopher deserves the respect and trust of your Committee to be granted the essential flexibility to use his best judgment -- in consultation with Congressional oversight committees and working actively with the President, the Vice President, the NPR and our sister agencies -- to implement his own plan for revitalizing the State Department and the other related foreign affairs agencies.

With just this purpose in mind, Secretary Christopher has launched us on a plan to work vigorously, in cooperation with NPR and the other agencies, to reinvent ourselves and create effective teams. That is his plan. We pledge that we will work with you to ensure that it works to the benefit of the American people. And we believe this can and should be done without legislation mandating the consolidation of agencies or prescribing the job descriptions of senior officers.

In closing, I want to thank you for your consideration and reiterate that given the national security importance of these issues, we believe it is essential that there be additional hearings at which we can each testify once your committee has introduced specific legislation concerning how we organize to conduct the nation's foreign relations. I look forward to joining my colleagues in answering the committee's questions.

UNDER SECRETARY OF STATE
FOR MANAGEMENT
WASHINGTON

RICHARD M. MOOSE

Mr. Moose was nominated by the President to serve as Under Secretary for Management of the Department of State on July 13, 1993, and confirmed by the Senate on July 30, 1993.

From 1988 to 1993 he was Senior Vice President, International and Government Affairs, American Express Company. In 1981 he joined the international banking division of Lehman Brothers, as a Senior Adviser and subsequently led the international advisory activities of Shearson Lehman Brothers as Managing Director until 1988.

In 1977 Mr. Moose was appointed Deputy Under Secretary of State for Management and from 1978 - 1981 he was Assistant Secretary of State for African Affairs.

In 1969 he was Staff Secretary at the National Security Council and from 1969 - 1974 he was Senior Staff Member/Committee on Foreign Relations (SFRC) of the U.S. Senate and from 1974 - 1976 Staff Director, Subcommittee on Foreign Assistance, SFRC.

In 1968 he co-authored a study of the national security decision-making process for the President-elect under the auspices of the Institute for Defense Analysis and the Ford Foundation.

From 1966 - 1968 he was a Special Assistant to Walt Rostow and Senior Staff Member at the National Security Council.

From 1956 - 1965 he served in the Foreign Service of the Department of State in Mexico City, Mexico; Yaounde, Cameroon and the Executive Secretariat of the Department.

From 1954 - 1955 Mr. Moose served in the U. S. Army.

Mr. Moose received a B. A. from Hendrix College in 1953 and an M. A. from Columbia University in 1954.

Mr. Moose was born in Little Rock, Arkansas February 27, 1932 and is married to Margaret Davis Moose. They have two children, Jeffrey M. Moose and Amanda D. Moose.

September, 1993

**Statement of J. Brian Atwood
Administrator
U.S. Agency for International Development
to the
House International Relations Committee
April 4, 1995**

Mr. Chairman: I appreciate the opportunity to join my colleagues to discuss the future of America's foreign policy institutions before this distinguished Committee.

The theme of this hearing can be summed up in a word: consolidation. That is what the various proposals that have been put forth recently have as their common goal.

It is a goal that we, at USAID, share. We have been working over the past year and a half to build a USAID that is highly focused, more responsive to changing events and attuned to the post-Cold War world. A new consolidated USAID.

To begin this process, we offered the entire agency as a laboratory for Vice-President Gore's "Reinventing Government" effort, one of only two agencies in the entire federal government to do so. As a result, USAID has been making substantial changes in every aspect of its operations from program focus to procurement to financial management to the very heart of the agency -- its project process and its strategic objectives.

In May 1993, when I came to USAID, I found an agency filled with good people. Good people trying to do their jobs -- but frustrated by, what I can only characterize as, an incoherent, bureaucratic mess. I found separate fiefdoms in each of our bureaus -- all operating with different procedures. I found the people outside of our agency, people in the private voluntary and non-governmental sectors who wanted to work with USAID, confused and frustrated about dealing with an unresponsive bureaucracy.

It was clear to me that our first priority had to be reducing incoherence through consolidation.

Consolidation. We consolidated eight bureaus in Washington into four. We eliminated 90 organizational units. We reduced our senior work force by 25 percent. And, over time, we've reduced our overall workforce by 1,200 and we are prepared to reduce it by another 830.

Consolidation. We created a new global and field support bureau to consolidate our technical personnel because they were spread throughout the agency.

Consolidation. We reengineered the agency's project design and implementation systems to reduce the time from project idea to implementation from 27 months to 6 months. We streamlined USAID's procurement process and opened it up to a broad array of qualified applicants. We held vendor town meetings on the east and west coasts last year and scheduled additional meetings for the south and midwest in 1995. Now, fully 79 percent of the USAID procurement budget, spent to purchase goods and services essential to USAID development work, is spent here in the United States.

Consolidation. We found eleven separate accounting systems and we used one of our nation's best computer software designers to create a single financial management system. And it is, today, state of the art.

Consolidation. When I got to USAID I used to say that we dug down ten feet and found a pipeline, but we didn't have any idea what was in it. And we couldn't get to it. No more. We now know exactly where our funds are so that we can more flexibly de-obligate and re-obligate to be more responsive to the development challenge and to our foreign policy needs.

Consolidation. I went to the Secretary of State and gained his agreement to close 21 missions over the strong objections of many ambassadors and regional bureaus at the State Department. But Secretary Christopher supported me and we will be closing an additional six missions very soon.

Consolidation. We had 33 Congressional earmarks in the Appropriations bill and 75 separate directives. We consolidated those into five -- economic growth, population and health, environment, democracy and humanitarian response. We transformed USAID from an agency concerned with inputs to one concerned with measured results. We want to be held accountable for achieving results toward our strategic objectives. If results are not achieved, programs will be redesigned or terminated, and we have terminated 144 projects in the past year.

We didn't make these changes to save a bureaucracy. We have fixed what is wrong because we believe that if America is to lead, it must lead with a development agency that is equipped to deal with the new realities of the post-Cold War era and is not bogged down in approaches that no longer work.

A new era requires a new foreign assistance program, one with goals that are quite different from those of our aid program of ten or twenty years ago. Goals that are directly related to our interests here at home.

Specifically, those interrelated goals are (1) strengthening our economy by creating new trading partners for the United States and new private sector jobs, (2) crisis prevention to deal effectively with the conditions that create instability (3) protecting the United States from global threats like destabilizing population growth, environmental degradation and diseases that cross borders and debilitate populations (4) promoting the spread of democracy and the strengthening of democratic institutions and civil societies, (5) and maintaining the U.S leadership role in international affairs.

In short, our new post-Cold War foreign assistance program isn't about charity. It is about U.S. self-interest. That is why USAID's operating principles are integration and coordination. A successful foreign assistance program must be an integrated program, one that recognizes that you only advance U.S. interests by battling on all fronts simultaneously -- through efforts which reinforce each other -- and in sync with other agencies, public and private, that are working toward the same goal..

Furthermore, an effective foreign assistance program must recognize that nations cannot simply be categorized as developed or undeveloped; that you trade with the first and give aid to the second.

There is, in fact, a development continuum.

At one extreme are natural and human-created disasters. The continuum runs from such disasters to civil conflict and to problems of development, such as unsustainable rates of population growth, endemic poverty, environmental damage, and the absence of democratic institutions; through periods of transition; all the way to sustainable development and trade. USAID's goal is to move countries along that continuum from, at worst, the collapse of civil society all the way to self-sufficiency

and trade. This suggests the overarching principle that should guide the committee as you consider restructuring our foreign policy apparatus: ensuring coherence and the integration of effort.

Today, under the current structure, the coordination of the "relief to development to trade" continuum flows directly from the Secretary of State through USAID and allows for the coordination of all U.S. assistance overseas. U.S. support for all the stages of development resides in one agency: USAID which, working with our partners in the private sector and in voluntary and non-governmental organizations, ensures that all efforts under U.S. sponsorship reflect overall U.S. goals and are mutually reinforcing.

This can be seen most clearly in the situation following a disaster. A report on United States aid programs prepared for the Organization for Economic Cooperation and Development (OECD) by its Development Assistance Committee (DAC), to be issued next month, notes that the USAID Administrator is the President's Special Coordinator for Disaster Relief and, in that capacity, organizes and oversees the response by all U.S. agencies to foreign disasters. The report concludes: "USAID has the expertise and capability to provide rapid response in case of disasters. Relief supplies and services can often be delivered within 24 hours, drawing on stockpiles in five locations around the world....Once threat to life has been alleviated, rehabilitation assistance is used to restore viability to a stricken community. At this point USAID's new Transition Initiative would come into play to help recipients move toward a more normal, development-oriented situation."

This is where the development continuum comes in, with USAID dealing with the immediate effects of a disaster but, more important, making the longer term investments that will ultimately lead to prosperity and an end to the disaster/relief cycle. This is an area in which USAID's mission differs from the mission of the State Department. The State Department focuses on day-to-day diplomacy, on fostering good relations. On policy not programs. Most of its employees are diplomats who spend a tour of duty in a particular country and then move on to the next. USAID employees are often technical experts -- agronomists, economists, engineers -- who are in a particular country for the long-haul. But not for too long. At USAID our job is to complete our work of moving a nation along that development continuum and then get out. For us, success means being able to leave, mission accomplished. The State Department's diplomatic missions stay.

As I noted, at the farthest end of the development continuum is our ultimate goal -- a former recipient of disaster relief now a market for U.S. goods and, consequently, a producer of jobs at home. That is why the current arrangement makes

the USAID administrator the chairman of the board of directors of the Overseas Private Investment Corporation (OPIC) and a senior member of the Trade Policy Coordinating Committee (TPCC) which is composed of federal agencies that play a role in international trade and development.

This coordination mechanism would not exist under the restructuring proposal that has been circulated by Senator Hens. Trade promotion itself would be downgraded through the elimination of OPIC, Ex-Im Bank and the Trade and Development Agency as separate agencies. Instead they would be folded into a new agency, not under the Secretary of State but under an Under Secretary. Meanwhile, USAID's development work would be picked up by State Department's various regional and functional bureaus and by a non-governmental development foundation which would provide grants to non-governmental and private voluntary organizations which would perform much of the actual development work on the ground. This gets to the most fundamental problem with this proposal. Contrary to the stated intention of its framers, it does not promote coherence. It promotes fragmentation. Just as the nexus would be broken between development and trade, and disaster relief and long-term development, so would the connection be broken between development assistance and overall U.S. policy.

As I mentioned earlier, currently the Secretary of State communicates his foreign policy guidelines to USAID in Washington. In the field, USAID is part of the Ambassador's team, ensuring coherence between USAID development policy and State Department foreign policy. Under the proposal to replace USAID with a private foundation and by various State Department regional bureaus, responsibility for USAID programs like environmental protection, population, disaster assistance, and democracy promotion would be split. In fact, programs for a single country could be scattered between two or more State Department bureaus and several private organizations funded under the independent foundation. Coordination would be lost.

By eliminating our lead development agency and its field presence, the Secretary of State would lose accountability over development priorities. With a significant portion of foreign assistance provided to private organizations through a non-governmental foundation, the Department would lose day-to-day control which would create a real disconnect between U.S. strategic goals and development assistance.

I should point out that we do not have the details of this legislative proposal. All we have is a press release. But, as we understand it, the independent foundation would not necessarily be responsive to the foreign policy guidance of the Secretary of State or to the ambassador but to the private voluntary and non-governmental

organizations which would carry out separate agendas on the ground. In fact, the only U.S. government connection to the foundation would be two State Department officials who would serve on the seven person foundation board. Once a private organization received a grant, it would be free to operate in a country as it so chose. The potential for independent operations, for the misallocation of funds, and for simple fraud would increase tremendously as the mechanisms of accountability disappeared. The current emphasis on managing for results, on focusing not just on what we put into the foreign assistance system but what comes out of it, would disappear.

Another principle that, I hope, would guide you would be retaining American leadership on the ground. The USAID field mission system is at the heart of the U.S. foreign assistance effort and is praised overseas as the model for effective development assistance. The OECD report I referred to earlier concluded after an extensive investigation of U.S. aid policy and programs that one of the sources of USAID's strength is "the key role of the field mission and the ability to establish long-term relationships with local counterparts. With this strength, USAID has produced significant institution-building and policy reform successes, with benefits accruing over decades."

Although many nations provide certain forms of foreign aid, we are the only country that has an ongoing presence on the ground. Not surprisingly, other aid providers, both public and private, from all over the world, look to our field missions for leadership and for guidance on how best to achieve results. They realize that our presence is a continuing one and that we therefore have a better grasp of local conditions.

Today, other donors, as well as the countries receiving aid, recognize that the USAID mission, flying the American flag, is an extension of the world's only superpower. They are responsive to the concerns of our people in the field because they know that USAID's representatives speak for the U.S. government. That is also why we have been so successful at coordinating assistance from other donors. We are able to maximize the impact of our aid, an amount that is declining, by using U.S. influence to leverage funding from other sources. We can do that because we are part of the United States government and an extension of the Secretary of State.

That points to another strength of the current system; that it allows for a blend of public and private development efforts. USAID, under the guidance of the Secretary of State, sets the goals but, increasingly, it is the private voluntary and non-governmental organizations that carry them out. The proportion of USAID funding of non-governmental organizations has grown from 19 percent in 1985 to 32.5 percent in

1994. That percentage will continue to grow to respond to the significant proliferation of non-governmental organizations around the world and to our own desire to reduce the costs of our programs. This mix allows for the maximum involvement of the private voluntary organizations while at the same time maintaining overall coordination by the Secretary of State. This would likely be lost as the private foundation -- with its legislatively-mandated "sunset" date -- moved toward full disengagement by moving further and further away from the private development community.

In a related area, the current structure enables the United States to deal quickly with crises. Situations like those in Haiti demand quick responses. In Haiti we were able to shift gears and funding as soon as the legitimate government was restored to power in order to help build the economy and ensure stability. Similarly, after Nelson Mandela came to power democratically in South Africa, we were able to mobilize a major effort to help ensure that the coming of democracy would not be accompanied with new economic distress. We were able to respond, one, because we had no choice. As a U.S. agency, operating under the guidance of the Secretary of State, and committed by law to fulfilling U.S. policy goals, any development priority of the President or Secretary is by definition our priority. And, second, as a government agency, funded through an appropriation from Congress, we have the resources to shift funding from one area to another. With very little notice, we can move resources away from one country or one program to another. We can do that because we are a U.S. agency that can reprogram our funding and reorder our priorities. So another principle should be ensuring a swift, cohesive response to crisis.

In conclusion, I again congratulate the committee for undertaking this effort. However, I believe that any fair analysis of the foreign assistance delivery system would have to conclude that the operation in place today represents a consolidated coherent structure in which there is a clear connection between overall foreign policy goals and development assistance. That is why Vice President Gore, after a comprehensive review, concluded earlier this year that the principles I just outlined, and others, lead to the conclusion the new USAID should remain our lead development agency. He came to that conclusion not because I, or anyone else, lobbied him but because he could see that USAID was successfully performing its mission despite reduced resources and because he recognized that the new USAID epitomizes the "reinventing government concept," an effort in which USAID has few peers.

As I noted at the start of my testimony, in the last 18 months, USAID has decided to close 27 missions, cut staff from 10,600 to 9,400 and begun to dramatically reduce project design time. In coming months, we intend to do more to ensure that the less than one-half of 1% of federal spending that goes for development assistance is spent wisely and well and always in our country's overall interests. I would hope to be invited to testify again, once a bill has been introduced, to help ensure that your efforts and the Administration's advance that goal.



J. Brian Atwood

Administrator, U.S. Agency for International Development

J. Brian Atwood was sworn in as administrator of the U.S. Agency for International Development (USAID) on May 10, 1993.

As USAID administrator, Atwood directs a program of economic and humanitarian assistance to countries in the developing world, in Central and Eastern Europe and in the former Soviet Union.

Before joining the Clinton administration, Atwood served as president of the National Democratic Institute for International Affairs from 1985 to 1993. The organization, affiliated with the Democratic Party, promotes democracy in transitional societies around the world and achieved notable success in many countries, including Chile, Nicaragua, Namibia, Pakistan, Panama, the Philippines and the nations of Eastern Europe and the former Soviet Union.

Immediately before being nominated as USAID administrator, Atwood had been named—and was later confirmed as—under secretary of state for management.

Atwood joined the Foreign Service in 1966 and served in the Ivory Coast (Côte d'Ivoire) and Spain.

In 1972 Atwood became a legislative assistant for foreign policy and defense on the staff of former Sen. Thomas Eagleton (D-Mo.).

He returned to the State Department in 1977 as deputy assistant secretary for congressional relations and was named assistant secretary in 1979.

In 1981 Atwood became dean of professional studies and academic affairs at the Foreign Service Institute. He also was a member of the Association of Deans of Foreign Service Colleges.

In 1982 Atwood was named vice president in charge of information and analysis at International Reporting and Information Systems.

From 1983 to 1984, he served under former Sen. Lloyd Bentsen (D-Texas) as executive director of the Democratic Senatorial Campaign Committee.

Atwood has written articles on international politics and presented commentaries on foreign policy on network evening news programs and on National Public Radio.

Atwood was born on July 25, 1942, in Wareham, Massachusetts. He received a bachelor of arts degree in history and government from Boston University in 1964 and did graduate work in public administration at The American University.

He is married to Susan J. Atwood and has two children, John and Deborah.

THE HONORABLE DR. JOSEPH DUFFEY

DIRECTOR, UNITED STATES INFORMATION AGENCY

Chairman Gilman, Congressman Hamilton, Members of the House International Relations Committee:

I'm pleased to join my colleagues here today to express our appreciation to this subcommittee for the opportunity to talk about ways in which our foreign policy departments and agencies must change to meet the new international challenges we now face. Some say that change is best accomplished by merging a number of organizations with different missions and functions into one large entity. I believe in change but I strongly disagree with a "moving boxes" approach.

Within that context, I want to speak briefly about the mission, goals and programs of the United States Information Agency. I want to discuss how a "moving boxes" approach to change will adversely affect those goals and programs, and could lead to foreign policy gridlock. I also want to discuss the ways in which USIA has been at the forefront of change by downsizing, streamlining and saving the taxpayers hundreds of millions of dollars.

In 1953, President Dwight D. Eisenhower created the independent United States Information Agency to streamline US Government overseas information programs and make them more effective. Since that time, we have seen the end of a bipolar world; the spread of democracy worldwide; and a revolution in information and communications.

As a result, the conduct of international relations has become more fragmented, more immediate and more personal than ever. Around the globe today, national positions in all countries are being influenced not just by elite groups, but by an ever-wider and better informed number of citizens. Increasingly important roles are played by individuals and organizations concerned about issues which go beyond national borders -- issues like trade, human rights, the environment, immigration, the role of women, education, crime and health. Citizens -- including your constituents -- are looking to their governments not just for protection against traditional threats, but for assistance in bringing home the new and tangible benefits of international change.

Today, public diplomacy is as essential to U.S. interests as traditional diplomacy between governments. The bipartisan United States Advisory Commission on Public Diplomacy last month stated: "What foreign publics think and do can help and harm Americans -- their lives, their livelihoods, their well-being."

In a recent commentary for the Los Angeles Times, House Speaker Newt Gingrich decried what he feels to be distortions of America's image by commercial media here and abroad. Speaker Gingrich wrote about a Japanese television situation comedy in which a Japanese family's trip to Hawaii was portrayed as a series of misadventures in a milieu of crime and drugs. The Speaker asked: "Is it any wonder that Japanese public opinion might begin to doubt America's leadership role for the 21st Century?"

The mission of the United States Information Agency is to understand, inform and influence foreign publics in promotion of the US national interest, and to broaden the dialogue between Americans, their institutions and their counterparts abroad.

In this new international environment, the organization and thematic emphases of USIA have changed significantly, but the core purposes remain constant:

- o To explain and advocate US policies in terms that are credible and meaningful in foreign cultures;
- o To provide information about the official policies of the United States, and about the people, values and institutions which shape those policies;
- o To bring the benefits of international engagement to American citizens and institutions by helping them build strong long-term relationships with their counterparts overseas;
- o To advise the President and other policy makers on the ways in which foreign attitudes will have a direct bearing on the effectiveness of US policies.

USIA is not an instrument for any single US department or agency. Our technology, programs and personnel assist the President and many Executive Branch departments and agencies -- as well as Members of Congress and state and local leaders -- in pursuing the political, economic, security and other national interests of the United States.

As a focused instrument of foreign policy, USIA has the ability and the flexibility to manage the public dialogue abroad for each of the US Government agencies who have lead on policy issues of foreign affairs significance. USIA's "primary stakeholders" include not only the Department of State, but the Departments of Commerce, Treasury, Defense and Justice and the Office of the US Trade Representative. In fact, there has been a ten percent growth over the past decade in embassy personnel from these non-foreign affairs agencies, which now totals 47 percent of all US embassy staffing.

As a separate agency focused on understanding, informing and influencing foreign publics in promotion of the national interest, USIA is able to present policy objectively, rather than compete on behalf of a particular protagonist in an internal policy debate. This is essential for providing objective, unbiased feedback on foreign public attitudes toward U.S. policies.

USIA supports US foreign policy goals using several primary resources: international radio and television broadcasting assets; targeted information materials which cut through the "white noise" of information overload and direct attention to American policy; assessments of foreign public opinion and its impact on US foreign policy; educational and cultural exchange programs; and, most important, professionals from all 50 states who serve the United States at US diplomatic posts throughout the world. These resources do not exist in isolation from one another; they are interdependent, to be used singly or in combination as necessary in pursuit of our national interests abroad.

USIA's combined resources not only provide the only complete and unedited articulation of official US policy abroad -- they enable us to shape and influence the overseas environments in which those policies are considered.

Our daily Wireless Files -- tool kits of timely information customized to the specific needs of US missions abroad -- provide full texts of Executive and Congressional actions to opinion leaders in 143 countries.

America's international broadcasting assets, including the Voice of America, Radio and TV Marti, Radio Liberty and Radio Free Europe, together reach approximately 150 million people worldwide every week. These assets continue to serve the national interest in crises from Tienanmen Square to Desert Storm, and from Cuba to Chechnya. Our broadcasting assets also convey information about US economic and social issues, addressing misperceptions and opening new avenues abroad for American citizens and communities.

Within the structure of an independent USIA, America's international broadcasters can continue to carry out their several functions -- including the accurate portrayal of U.S. policy; balanced, objective, and comprehensive news reporting; and surrogate broadcasting -- without being subject to interference based on short-term expediency. This has two distinct advantages. First, it allows the broadcasters to continue to build a relationship of trust with the audience, and establish credibility. Second, it will continue to protect the Secretary of State and ambassadors abroad from having to be accountable to foreign governments for the broadcasts themselves.

USIA educational and cultural exchange programs result in the expenditure of tens of millions of dollars at colleges and universities throughout the United States. Americans and foreigners studying under the Fulbright program are connected with more than 500 U.S. institutions of higher learning. Thousands of American community and academic leaders participate in USIA-sponsored overseas exchange programs each year; many thousands more are involved in programs which enable foreigners to learn about trade, investment, educational and cultural opportunities in America's states and cities. Foreign students studying in the United States, including those on the USIA-administered J-visa, contribute over \$6.8 billion annually to our economy.

USIA exchange programs have also brought to the United States in their politically formative years some 138 current or former heads of government from 75 countries, including Margaret Thatcher of Great Britain, five former Prime Ministers of South Korea and South African Vice-President F.W. deKlerk -- who said his USIA-sponsored US experience caused him to change his mind on apartheid.

When responsibility for international exchange programs was transferred from the State Department to USIA in 1978, the primary argument for the transfer was that "public diplomacy" programs -- those that support unofficial contact between US and foreign opinion leaders -- should be administered consistent with, but separate from, the conduct of the nation's official diplomacy. It is an argument which I believe remains valid today.

Even prior to 1978, exchange programs were perceived as a principal avenue in which the government could encourage such unofficial contact and greater understanding between important, but "unofficial," leaders in the U.S. and abroad. U.S. educational and cultural exchange programs were administered abroad by officers of the U.S. Information Agency, whose contacts with media, education, commercial, community and other leaders who shape public opinion about the United States differed from the official diplomatic contacts that were the primary responsibility of State Department officers. The 1978 reorganization, in part, brought Washington administration of the programs into line with their administration abroad.

Since 1978, patterns of unofficial communication have become increasingly complex. A plethora of organizations now support communication among publics, and USIA works directly with more than a thousand of them. USIA has the flexibility to ensure that its efforts complement those of non-governmental entities and to focus resources outside the government in ways that serve the broad national interest.

As an entity separate from the State Department dedicated to civic engagement, USIA is able to maintain a slight but critical distance from the State dialogue conducted primarily with government officials. Some say this distance equates to diffidence or disdain -- a desire to remain "untainted" by US policy. Quite the contrary.

USIA exists to serve US policy. However, it's structural independence allows USIA to engage foreign publics which may have difficulty dealing directly with the State Department, and to establish communication links between peoples when governments don't or can't talk.

Chairman Gilman, the men and women of the United States Information Agency -- the writers, editors, translators, broadcasters, exchange experts and career and foreign service professionals -- are the front line in establishing those communication links. They are relatively small in number. According to a 1994 GAO report, they constitute only five percent of Americans in embassies overseas -- fewer people than represent the Justice Department abroad. In fact, we have about the same number of people doing public diplomacy work abroad as in the State Department's diplomatic security service alone.

USIA's domestic and overseas employees are justifiably proud of their continuing contributions to the achievement of U.S. foreign policy goals. My colleagues are also very aware of the changing domestic as well as international environment in which we now work.

Over the past three years, USIA has been at the forefront of the reinvention effort, and has followed a multi-year strategy for rational downsizing and budget cuts. We have submitted an FY96 funding request lower than the FY95 appropriation. Our FY96 request totals \$1.3 billion, a net reduction of \$121.1 million from the FY95 level.

We worked with Republicans and Democrats in the last Congress, including many of those on this Subcommittee, to achieve the International Broadcasting Act of 1994. This consolidation of VOA, RFE/RL, WORLDNET, Radio and TV Marti and the to-be-established Radio Free Asia will produce over \$400 million in savings and the elimination of over 1200 broadcasting staff positions over next 4 years, resulting in a leaner, more efficient global broadcasting service for the US Government.

Last year, we also completed major policy and program restructuring in which we eliminated our magazine and exhibit divisions. We replaced our Policy and Program Bureau with a new, 30 percent smaller, Information Bureau which removes management layers.

Mr. Chairman, let me conclude with a brief comment on this second phase of the National Performance Review. As Vice President Gore stated in a letter sent last month to you and to several of your House and Senate colleagues, one of his first actions in phase two was to examine thoroughly the proposal raised in the Administration to consolidate AID, ACDA and USIA in the State Department.

The Vice President concluded that the basic missions of these agencies, including USIA, are important federal functions, and that this and future presidents ought to have at their disposal distinct agencies that permit a clear, conceptual and managerial focus on public diplomacy and other vital activities. He felt strongly that the idea of a single, large foreign affairs super-department risked creating a super-bureaucracy. The Clinton administration is committed to real change in the foreign affairs agencies. We are demonstrating that at USIA.

For example, restructuring is now underway in our management bureau -- expected to result in savings of over \$7 million and the elimination of 60 FTEs. Reflecting new trade and commercial priorities and opportunities to help solidify new democracies, we have refined our strategic approach to resource distribution abroad, converting libraries in developed countries to high-tech outreach facilities; and joining forces with US Department of Commerce in key European and Asian markets to be more effective catalyst for US communities to expand international ties.

Further, as the legislatively-mandated coordinator of exchange programs throughout the Executive Branch, we have identified overlap and duplication in exchange and training programs now handled by more than two dozen departments and agencies. The Vice President has decided to incorporate this information as part of the second-phase NPR focus on potential savings in foreign affairs agencies. The changes I have described will contribute to the savings that the Administration committed to in the President's FY 96 budget. USIA is committed to doing its part to achieve significant savings.

That is the risk of the proposal now before you, which would place virtually all the present activities of USIA within the State Department with no offsetting financial or programmatic gain. The plan would add layers of management at the top and multiply "horizontal layers" with a more complex internal clearance process, slowing reaction time essential for public affairs management. Increased size does not guarantee increased efficiency. On the contrary -- it generally ensures less accountability and further alienation from the organizational mission. In his letter to you, Vice President Gore said: "In short, I reached the same conclusion that so many private companies have reached: 'moving boxes' is no substitute for real change."

As the Director of the United States Information Agency, I want to reiterate and reinforce the Vice President's conclusion, shared by Republicans and Democrats who have preceded me in this job: a structurally independent United States Information Agency remains one of the critical tools President Clinton and his successors need to conduct international relations in a complex, rapidly changing, but still dangerous world.

Thank you, Mr. Chairman. I would be happy to address any questions you and your colleagues may have.

**United States
Information
Agency**

Washington, D.C. 20547



JOSEPH D. DUFFEY
Director
United States Information Agency

Joseph Duffey was named by President Bill Clinton as Director of the United States Information Agency on April 15, 1993. His appointment was confirmed by the United States Senate on May 24, 1993.

Dr. Duffey previously served as President of The American University in Washington, D.C. From 1982 to 1991 he was Chancellor of the University of Massachusetts at Amherst. In 1989 he was elected by the Board of Trustees of that university as President of the four campus UMASS system. He served in that capacity as well as Chancellor of the Amherst campus, the first and only university administrator in Massachusetts asked to serve in both positions.

Dr. Duffey was Assistant Secretary of State for Educational and Cultural Affairs and Chairman of the National Endowment for the Humanities under Presidents Jimmy Carter and Ronald Reagan. Previous to his appointment as Assistant Secretary of State, he was a member of the faculty at Yale University and a Fellow of the JFK School of Government at Harvard University. In 1978 and 1980 Duffey served as a United States delegate to the General Conference of the United Nations Educational, Scientific and Cultural Organization. In 1991, Dr. Duffey was joint head of the U.S. Delegation observing national elections in Ethiopia.

Dr. Duffey holds 14 honorary degrees from American colleges and universities and in 1993 was awarded the honorary Doctor of Letter by Ritsemaken University in Japan. In 1980 he was named Commander of the Order of the Crown by the King of Belgium. He has been a member of the Council on Foreign Relations since 1979.

A native of West Virginia and a graduate of Marshall University, Dr. Duffey received graduate degrees from Yale University, Andover Newton Theological School and the Hartford Seminary Foundation. He has published widely on themes relating to higher education and social and economic issues. Dr. Duffey has been Stern lecturer at Syracuse University, Lund lecturer at Northwestern University, Sparkman Lecturer at the University of Alabama, and Lesser lecturer at the University of Southern California.

Dr. Duffey has served as a director of the Baybank Valley Trust Company in Springfield and as Chairman of the Governor's Commission on Mature Industries in Massachusetts. He was a member of the National Business-Higher Education Forum and on the Executive Committee of the National Council on Competitiveness. He was a founder and co-chairman of the Western Massachusetts Economic Development Conference.

Dr. Duffey is married to Anne Wexler and has four sons.

STATEMENT OF
THE HONORABLE JOHN D. HOLUM, DIRECTOR
U.S. ARMS CONTROL AND DISARMAMENT AGENCY
BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS,
U.S. HOUSE OF REPRESENTATIVES
April 4, 1995

Chairman Gilman, Mr. Hamilton, and other Members of the Committee, I appreciate the opportunity to testify today before the House International Relations Committee on the need for an independent U.S. Arms Control and Disarmament Agency in the post-Cold War world era.

Your support, Mr. Chairman, along with Mr. Hamilton, Lantos, Berman, Hyde and Leach last year in enacting the Arms Control and Nonproliferation Act of 1994 underscored the necessity of maintaining bipartisan support for a revitalized ACDA to address the immense arms control agenda facing the U.S. and the post-Cold War world.

In his January 24, 1995, State of the Union message to Congress and the American people, President Clinton underscored the priority he places on the arms control and non-proliferation agenda:

"We've come so far so fast in the post-Cold War world that it is easy to take the decline of the nuclear threat for granted. But it is still there, and we are not finished yet."

Indeed, as the President stressed in his March 1 address to the Nixon Center, in 1995 we face "the most ambitious agenda to dismantle and fight the spread of weapons of mass destruction since the atom was split."

In 1995 the United States must preserve the Nuclear Nonproliferation Treaty, implement the START treaty and bring START II into force, fulfill the promise of the Chemical Weapons Convention, strengthen the Biological Weapons Convention, negotiate a Comprehensive Test Ban and the fissile material cutoff, fulfill the Conventional Forces in Europe treaty, open the way for capable theater missile defenses under the ABM treaty, deal with the growing post-Cold War threat of proliferation of weapons of mass destruction, and address a number of other high stakes endeavors that will directly affect our security and global safety.

The U.S.-Soviet arms race is over. But we are just now

bringing some formal arms reduction agreements into force, and their implementation will take years. Moreover, the U.S.-Soviet competition has been succeeded by the looming threat of proliferation of weapons of mass destruction to more countries -- and now to terrorists as well, as we've seen tragically in Japan.

So President Clinton decided in 1993 to revitalize ACDA as the nation's lead agency for negotiating, implementing and verifying arms control agreements. In 1994 the Congress agreed. As a result, this agency of just 250 people has major or lead responsibilities for all of the subjects I have just mentioned.

Certainly the world has changed. But given the uncertainties and new dangers of the post-Cold War world, ACDA is a "relic" today only if nuclear, chemical and biological weapons and ballistic missiles are only a rumor and proliferation is just a bad dream.

A SHRUNKEN ROLE FOR ARMS CONTROL AND NONPROLIFERATION

In light of these global realities, proponents of ACDA's disappearance usually assert they want to serve the same causes, only better. But whatever the intent, the actual, inescapable effect would be to drastically undercut these vital national missions.

It has been said, for example, that the proposed absorption of ACDA by the State Department would fix arms control and nonproliferation in the hands of an Under Secretary of State. In fact, it would be assigned to an Assistant Secretary -- one of 20, three layers down from the Secretary -- and would compete for even the Under Secretary's attention with such matters as humanitarian assistance, refugees, migration, international narcotics, and political-military relationships.

It is said that the responsible official would report directly to the Secretary, so these issues would have the attention they deserve. The fact is that the ACDA director already reports directly to the Secretary of State -- but also directly to the National Security Advisor and to the President of the United States. All of those direct channels would be closed off if ACDA were folded into the Department of State.

And it is ACDA's reporting authority to the NSC -- that distinct voice at the table -- that gives arms control the attention it deserves in our national security policy.

Significant decisions invariably are made through an interagency process, beginning at the working level, and proceeding as necessary up to the Cabinet level and to the President. All relevant agencies play a part -- the Departments

of State, Defense and often Energy and Commerce, the Joint Chiefs of Staff, the National Security Council, and ACDA.

Note that in that process the Joint Chiefs of Staff also have their own policy voice, separate from the Secretary of Defense. That is because they, too, have a reporting line to the President. By statute, the Chairman of the Joint Chiefs of Staff is the principal military advisor on military affairs to the President, the National Security Council, and the Secretary of Defense. Also by statute, the ACDA director is the principal advisor to the Secretary of State, the National Security Council and the President on arms control, nonproliferation and disarmament matters.

In U.S. internal policy deliberations, ACDA brings to the table an expert and unconflicted arms control perspective. And quite often that differs from the viewpoint of the Department of State, which must be primarily occupied with country relations, conflict resolution, and other diplomatic concerns.

This is nothing new. It is why ACDA was created. And it has been proved right repeatedly over the years.

In the 1960's, for example, ACDA pressed for the Nuclear NonProliferation Treaty, whose contributions we all now understand and whose permanent extension the Senate unanimously endorsed just two weeks ago. But the State Department initially opposed original negotiation of the NPT -- out of deference to some friendly countries that wanted to explore the nuclear option.

Obviously the independent arms control perspective proved its value then and since. But I submit to you that it is even more important now than during the Cold War.

When arms control was the dominant element of our relations with the Soviet Union, there was little risk it would be overlooked.

Now, however, we are more often confronted with the question whether to press nonproliferation standards with scores of countries, with virtually all of which the United States has many important issues at stake besides arms control. So, for example, the 1992 Inspector General's report on ACDA's future remarked upon ACDA's lonely conviction in 1990 that Pakistan's nonnuclear status could no longer be certified. The IG cited that case as an example of why ACDA should not be eliminated, but retained and revitalized.

In this era we also must address interpretation and compliance issues under an accumulation of arms control agreements now in the implementation stage -- what I've been

referring to as the arms control "harvest," where we actually reap the benefits on the ground of what has been settled on paper. By statute, ACDA develops verification requirements during arms control negotiations and ensures compliance after agreements enter into force. As the watchdog for verification and compliance, ACDA assesses the performance of our arms control treaty partners and reports its findings to Congress. Indeed, ACDA pioneered the concept, now incorporated in the ACDA Act, that independent verifiability assessments must be a part of the arms control ratification process.

Anyone who thinks arms control implementation is simply a mechanical process should sit next to our Ambassador Steve Steiner in a regular session of the Joint Compliance and Inspection Commission, which is now sorting out conflicting interpretations of the START treaty. If ACDA disappeared, our tough positions in these implementing negotiations, too, could be softened by our broader relations with the countries involved -- as could the rigor of our verification requirements or our compliance reports to the Congress.

By these examples I do not mean to suggest that ACDA is always right, that State is invariably wrong, or even that we usually disagree. But we do see things differently and it happens more often than you might expect. The result of ACDA's independent voice is policy that is more fully informed and better framed to serve arms control and nonproliferation.

Through its contributions to the policy process, ACDA has been able to shape U.S. policy in ways that have strengthened our national security. It has had a major impact on the following:

- o Insistence under the SALT I agreement that the Soviet Union be held to precise numerical limits on Backfire Bombers;
- o In developing the INF Treaty, development of irrefutable evidence of the nuclear capabilities of Soviet SS-23s in Eastern Europe;
- o Analysis confirming that the Soviet Krasnoyarsk radar was in violation of the ABM Treaty, ultimately leading to its dismantlement;
- o Changes in Intelligence Community force estimation methodology, leading to more accurate accounting for Soviet forces under the CFE Treaty.
- o Preservation of the Cobra Dane ground-based phased array radar at Shemya, Alaska, an asset essential for verifying Russian compliance with the START Treaties. The U.S. needs this radar to determine independently whether or not the Russians are testing new or modified missile systems.

- o Positions leading toward a comprehensive test ban, including opposition to a "peaceful nuclear explosions" loophole, a zero-yield threshold, and no-first-test policy.
- o Protection of the proper interpretation of the Anti-Ballistic Missile (ABM) treaty, which was, in turn, instrumental in facilitating negotiation of the START treaties.
- o The decision that START II should be a formal Treaty, as opposed to reciprocal political commitments which were also being proposed.
- o The present U.S. policy regarding landmines and their use.
- o The decision to press for an effective, verifiable, and complete ban on chemical weapons, resulting in conclusion of the worldwide Chemical Weapons Convention in 1992.
- o U.S. Government efforts to conclude a ban on biological and toxin weapons in the early 1970s, followed in the 1990s by negotiations to enhance transparency and strengthen compliance with that ban.

ACDA does not always prevail in policy deliberations, nor should it. But its perspective urgently needs to be heard.

The effect of the Helms proposal, however, would be to expel ACDA from the interagency table -- to silence its voice there, and muffle it inside a larger Department. All differences would be resolved within State. The unavoidable result would be to subordinate arms control and nonproliferation to other concerns.

So it may be possible to say that consolidation of ACDA into the State Department would make the policy process slightly neater. But no one should pretend that such consolidation would do arms control and nonproliferation a favor. It would relegate these issues to a smaller, weaker place -- precisely when they are needed more than ever before.

Along with a focused perspective, ACDA brings to the table a depth and concentration of expertise not found elsewhere. Arms control is usually highly technical -- dealing with the properties of biological pathogens or chemical agents, the throw-weight of missiles, or the sufficiency of verification technologies. Arms control, as I've been saying, often is rocket science.

Like the United States Trade Representative, we use diplomatic methods, but in a highly specialized realm. ACDA concentrates diplomatic and negotiating skills, scientific

expertise, specialized legal knowledge, and well-honed intelligence and verification skills in order to accomplish a precise, well-defined mission. Again, to dissipate those assets would mean doing the mission considerably less well, and probably at greater expense.

These judgements are neither unique to me nor newly-revealed. In recent years, ACDA has been carefully reviewed by the President, the Vice President, the Congress, the IG, and the Stimson Center. They all came to the same conclusion: ACDA's independence is a national security asset and a bargain.

A SINGLE U.S. VOICE

There is another side to ACDA's role that requires emphasis: notwithstanding ACDA's separate role as policy is decided, we are part of the Secretary of State's team, and operate under his foreign policy guidance. The ACDA director's first reporting responsibility is to the Secretary of State. We meet and talk frequently, and coordinate closely.

ACDA's daily operations are already closely integrated with those of the Department of State. We share space and most administrative services. Further consolidation in that area is already underway, and we are taking steps to ensure even closer policy coordination.

In all of our activities, we proceed from a determination that once our internal policy deliberations are completed, the United States speaks with one voice. In negotiations there is no ACDA position and there is no State Department position; there is only the position of the United States.

A separate, expert arms control agency serves important values in policymaking, giving priority attention to arms control and nonproliferation, and serving the nation's international influence in these areas. We can capture those benefits, while at the same time advancing a unified U.S. position and a coordinated strategy to advance our arms control and nonproliferation interests.

SPECIFIC IMPACT OF THE HELMS PROPOSAL

The proposal by Senator Helms, however, would undermine our ability to pursue arms control and nonproliferation effectively. It would:

1. Eliminate the ACDA Director's direct access to the President, National Security Advisor, and the Secretary of State.
2. Relegate the ACDA Director to an assistant Secretary

position, 1 out of 20 envisioned by the Helms proposal.

3. Demote the ACDA directorship two levels in rank from an independent senior advisor to a lower-level official.
4. Eliminate ACDA's current seat at the National Security Council table when arms control issues are discussed.
5. Expel ACDA from the interagency policy-making process where all significant arms control and nonproliferation decisions are made.

Under this proposal, the vital nonproliferation and arms control issues that have become so central to national policy would be shuffled into a full deck of other foreign policy cards. These national security issues would have greatly diminished status in the U.S. Government -- and as a result our national security would suffer.

A STREAMLINED AGENCY

Public interest in government streamlining is real and legitimate. We have pursued it, and that work will continue -- in part through sensible consolidation that preserves ACDA's independence.

ACDA is already a small, lean agency. We have just 250 employees, and a core budget of \$45 million. That budget, in constant dollars, is the same as it was in 1966 -- and 10% less, in real dollars, than it was in 1993.

Meanwhile, during that same thirty year timeframe, ACDA's missions have grown by more than 5 times, from 10 in the 1960's to 54 today.

We have numerous advantages as a small agency. We are confident that we can do more things, faster, more efficiently and effectively with fewer people and lower cost. That has been the case under the current administration as well as under previous administrations.

On January 27, Vice President Gore's National Performance Review reaffirmed ACDA as a vital agency whose independence is essential to effective work in nonproliferation and arms control.

Consider three points about that process.

First, ACDA has undertaken a number of reform and streamlining initiatives to eliminate lower priority missions and increase our effectiveness and efficiency. In my sixteen months as director we have:

- o Completed a comprehensive management review;
- o Begun implementing a strategic plan that gauges performance by results rather than time or funds spent;
- o Started cutting our ratio of supervisors to front-line workers by about one-third; and
- o Undertaken a broad streamlining effort, the fruits of which include dropping several lower-priority activities entirely, and eliminating a quarter of our operating divisions.

This program of streamlining is part of my mandate as Director of ACDA. We are moving aggressively to wring out waste and clear away barriers to peak performance.

Second, the Vice President's Phase II decision reaffirms the need for an independent ACDA and calls for continued streamlining, reinvention and additional savings in each of the foreign affairs agencies including ACDA. ACDA will accelerate its streamlining of operations in Washington and we will cut back on overseas costs. We are working closely with the Department of State to identify and eliminate unnecessary duplication and overlap in our substantive and policy activities. That process will be completed soon.

Also, all the foreign affairs agencies are working together to establish more common administrative services. Between ACDA and State, much consolidation is already in place and will be expanded.

Third, also pursuant to the Vice President's decision, ACDA's substantive operations will provide better and closer support for the State Department. We will more directly serve as a resource for the Secretary of State, and work within his overall foreign policy guidance.

The Vice President's National Performance Review directives will give taxpayers value for their money by producing less hierarchical, more efficient government while respecting the Constitution's traditional grant of authority to the President to organize his national security and foreign policy structure.

In contrast, legislatively imposing a "one-size-fits all" mega-bureaucracy would contradict the basic principles of streamlining government, by increasing red tape, adding more bureaucratic layers, and failing to achieve significant savings.

A BIPARTISAN TRADITION

Since ACDA's initiation under President Eisenhower and its founding under President Kennedy, Republican and Democratic administrations have recognized that if you want to pursue arms control effectively, an independent, expert, unconflicted agency is the way to do it.

That consensus is now reflected in the bountiful harvest of arms control agreements painstakingly achieved by both Democratic and Republican Administrations and now ready for ratification and implementation. Consider these historic elements of our current arms control and nonproliferation accomplishments:

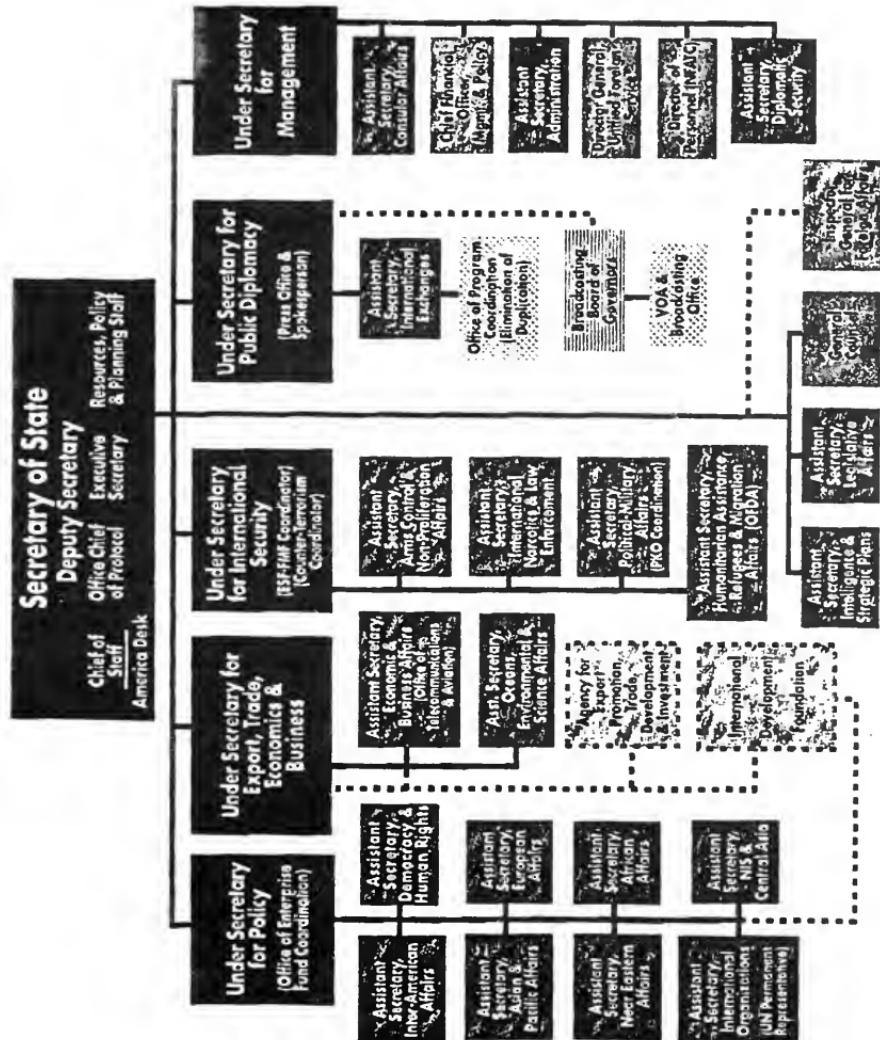
- o START I -- negotiated under President Reagan, ratified under President Bush, implemented by President Clinton.
- o START II -- signed by President Bush and now awaiting ratification by the Senate.
- o NPT -- The Nuclear Non-Proliferation Treaty (NPT) was initiated by President Johnson, completed by President Nixon, and now renewed under President Clinton.
- o CWC -- The Chemical Weapons Convention (CWC) talks were initiated under President Reagan, signed by President Bush, and is now awaiting Senate ratification for implementation under President Clinton.
- o INF -- The Intermediate Nuclear Forces agreement was negotiated under President Reagan, implemented under President Bush, and is now being multilateralized under President Clinton.
- o CFE -- The Conventional Forces in Europe agreement was initiated under President Reagan, ratified under President Bush, and implemented under President Clinton.
- o CCW - The Convention on Conventional Weapons was negotiated under President Clinton and received unanimous bipartisan support last month by the Senate.

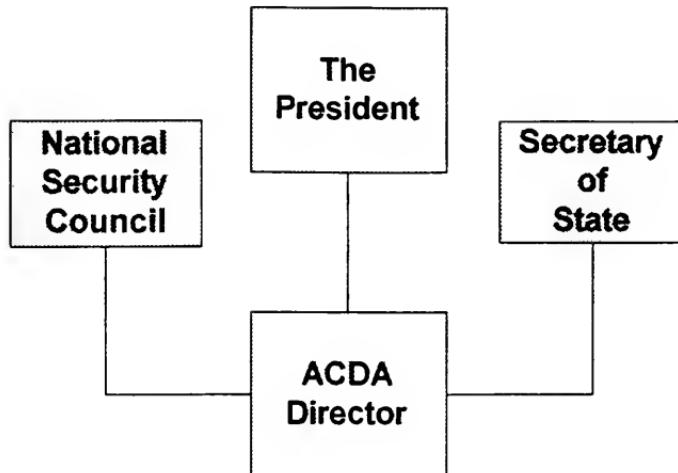
The remarkable feature of this arms control and nonproliferation harvest is its richness for our nation's security and its potential to continue bountiful harvests in the years ahead. But that calls for sustained bipartisan support for arms control and nonproliferation.

Every President since Eisenhower has understood the need for an independent voice in arms control in order to make informed national security decisions. For more than thirty years, that has been the bipartisan consensus. It is only in the last thirty days that the traditional bipartisan support for ACDA has been called into question.

If you think arms control implementation and compliance can largely take care of themselves, that the dangers of proliferation are overblown, that last month's chemical weapons terrorism was a fluke, that we should let arms and sensitive dual-use technologies flow abroad more freely, then the Helms plan may be the way to go.

I hope instead that you will continue to support our mutual efforts to reap the national security benefits of arms control, by keeping a strong, independent, streamlined and effective agency to pursue one of the nation's most urgent missions in a transformed world.





**ACDA was originally established in 1961.
(P.L. 87-297)**
22 U.S.C. 2562 Sec. 22(b) states:

"The Director shall serve as the principal adviser to the Secretary of State, the National Security Council, and the President on matters relating to arms control, nonproliferation and disarmament."

This 1961 statute was reaffirmed in the Arms Control and Nonproliferation Act of 1994, P.L. 103-236, adopted on April 30, 1994.



BIOGRAPHY

JOHN D. HOLUM

John David Holum was sworn in as Director of the U.S. Arms Control and Disarmament Agency ("ACDA") on November 22, 1993, as part of President Clinton's decision to revitalize the Agency for post-Cold War challenges. In announcing Holum's nomination, President Clinton said: "I can think of no finer and more dedicated person to lead ACDA than John Holum, whom I have known for twenty years and who has close working relationships with many senior officials ... throughout my Administration. John will be a strong voice for arms control and non-proliferation."

As Director, Holum has moved to assert the Agency's leading role in arms control and nonproliferation policy, negotiations, and implementation. He serves as the principal advisor to the President and the Secretary of State on the full range of arms control, nonproliferation and disarmament matters, and has advocated arms control as a main pillar of U.S. national security.

Mr. Holum brought to ACDA a mix of experience drawn from the worlds of foreign policy, international law and negotiation, and political and public affairs. From 1981 until his swearing in, he practiced law in the Washington office of O'Melveny & Myers, concentrating on regulatory and international matters.

Mr. Holum served as a defense and foreign policy adviser in the 1992 Clinton Presidential Campaign and assisted in the Clinton Presidential Transition. He also served as Executive Director of the platform drafting committee and the platform committee for the 1992 Democratic National Convention.

Mr. Holum worked on a potential exploratory committee for then-Governor Bill Clinton in 1987, and assisted in the 1984 and 1988 presidential bids of Senator Gary Hart.

From 1979 to 1981, Mr. Holum served on the Policy Planning Staff in the Department of State. Working on arms control and legal issues with Samuel Berger under director Anthony Lake, he drafted speeches and testimony for Secretary Vance, Secretary Muskie, and Deputy Secretary Christopher.

From 1965 to 1979, Mr. Holum was a member of Senator George McGovern's staff, where he served as legislative director and managed the Senator's work on the Foreign Relations Committee. He served as issues director for Senator McGovern in the 1972 presidential primaries, and as chief speechwriter in the general election campaign.

Born December 4, 1940 in Highmore, South Dakota, Mr. Holum grew up on a family farm in the northeastern part of the state. His undergraduate education at Northern State Teachers College was in mathematics and physical sciences. Mr. Holum attended law school at George Washington University, where he earned his J.D. with honors in 1970.

Mr. Holum is married to Barbara P. Holum, a Commissioner of the Commodity Futures Trading Commission, and has one daughter, Tracy Lynn. He enjoys sailing, flying, scuba diving, and playing bluegrass/country music.

***Annual Report
on Program Performance
1994***

Core Report

***Center for Development Information and Evaluation
Bureau for Policy and Program Coordination
U.S. Agency for International Development***

March 1995

Table of Contents

	Page
Executive Summary	v
Introduction	1
Encouraging Broad-Based Economic Growth	4
Building Democracy	8
Stabilizing World Population and Protecting Human Health	12
Protecting the Environment	15
Providing Humanitarian Assistance and Aiding Post-Crisis Transitions	19
Central and Eastern Europe and the New Independent States	22
Challenges for the Next Year	25
Appendix. Countries Included in the Annual Performance Report	

This Core Report is the first of a two-volume set. The second volume is the full 132-page Annual Report. For order information, see inside front cover.

Executive Summary

THE PROGRESS of other nations matters to the United States. Growth of democracy facilitates more peaceful resolution of disputes and greater acceptance of values and principles we embrace. Economic growth benefits both poor people overseas and U.S. companies and workers who produce the goods they buy. Improved health and lower population growth reduce the spread of diseases and pressures for migration. Sound uses of local environments sustain the world's resource base and enhance the quality of life for all the Earth's inhabitants. And smooth transitions away from communism, conflict, or ethnic domination lead to greater regional and worldwide stability and prosperity.

USAID's programs address the four principal, inter-related threats to sustainable development: poverty and food insecurity, lack of democratic institutions and processes, rapid population growth and poor health, and environmental degradation. USAID also responds to disasters that create human suffering. In addition, the Agency supports the transition of the nations of Central and Eastern Europe and the former Soviet Union to more democratic, free-market societies.

Although it draws on experience and examples from all of USAID's programs, this report focuses on programs in 41 countries in Africa, Asia, the Near East, and Latin Amer-

ica and the Caribbean where USAID has decided to concentrate its sustainable development resources. It also describes accomplishments of humanitarian and post-crisis assistance programs worldwide and results to date from significant investments in the ENI region.

Encouraging Broad-Based Economic Growth

Economic growth is the foundation of sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. USAID's economic growth strategy has three elements: strengthening markets, investing in people, and expanding access and opportunity. Forty sustainable development Missions have economic growth objectives.

Performance highlights include:

- In Central America, U.S. assistance for market strengthening helped reverse sharp economic declines in the 1980s. With reforms, the region is now achieving positive economic growth, and USAID has phased down its assistance.

- In countries assisted by seven Missions, non-traditional exports increased by over 35 percent in the last 2 to 4 years, totaling \$1.75 billion.
- A USAID evaluation of several of the world's most effective microenterprise finance institutions identified management strategies that allow them to be financially viable and to rapidly increase their outreach. The best institutions are able to expand the number of loans by at least 25 percent each year, providing thousands of poor clients with their first access to loans and safe places to hold savings. Conclusions from this report are being integrated into USAID's Microenterprise Initiative.

Building Democracy

USAID's democracy strategy has five broad objectives: strengthening the rule of law and respect for human rights, increasing citizen participation in elections and political processes, expanding an active civil society, developing more accountable governance, and increasing the flow and diversity of information to citizens. Twenty-nine sustainable development Missions have significant democracy programs.

Results from these programs include:

- USAID played an important role in six of eight countries that made significant democratic gains in 1994, according to the most recent Freedom House survey.
- As a result of rule-of-law programs in Latin America, access to legal advice and redress through legal aid and alternative dispute resolution has increased significantly for poor and marginal populations.
- USAID assistance to electoral tribunals in Bolivia, El Salvador, Mozambique, Panama, and South Africa helped ensure elections that were accepted as legitimate. In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations for elections held during 1994.
- In Central America, USAID trained 50 percent of the region's journalists and me-

dia managers in journalistic ethics. In 1989, citizens of the region had little faith in the media; by 1994, a public opinion poll found the media ranked second only to the Catholic Church in credibility.

Stabilizing World Population and Protecting Health

USAID's strategy to stabilize population growth and protect human health has five priorities: preventing unwanted pregnancies and abortions, reducing deaths of children from preventable diseases, decreasing pregnancy-related deaths, preventing transmission of sexually related diseases such as HIV/AIDS, and increasing the basic education of girls and women. Ninety percent of USAID's sustainable development Missions are pursuing objectives in population or health.

Highlights include:

- In the 28 countries that have received the largest amount of USAID population assistance, average family size has decreased from 6.1 children in the 1960s to 4.2 in 1992.
- From 1985 through 1992, infant mortality declined by 10 percent in USAID-assisted countries. In some countries the decline was even greater, ranging from 17 percent in Bolivia to almost 50 percent in Honduras. During the same period, mortality rates for children under 5 in USAID-assisted countries dropped by 10 percent to 40 percent.
- In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which the United States was the lead donor.
- With USAID assistance, use of oral rehydration therapy during diarrheal episodes among children continued to increase, from 12 percent in 1984 to 46 percent in 1992. This treatment saves children's lives in the United States as well as in developing countries. It prevents an estimated one million childhood deaths worldwide each year.

Protecting the Environment

USAID programs address long-term threats to the global environment, particularly loss of biodiversity and global climate change. They also seek to protect the environment locally, regionally, and nationally by protecting biological resources, promoting environmentally sound urban and industrial development, fostering efficient use of renewable and non-renewable energy, improving the availability and quality of water, and encouraging better stewardship of natural resources. Twenty-five sustainable development Missions have one or more environmental objectives.

Among the results are:

- Through the Parks in Peril program, USAID has helped create 26 protected areas covering 5.6 million hectares in 12 countries.
- Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone.
- In Quito, Ecuador, USAID assistance transformed the Water Authority, lowering operating costs by 25 percent, enabling 35,000 household connections, and upgrading services to 180,000 people in marginal neighborhoods.
- Support for integrated pest management is reducing environmental damage and increasing yields. In Indonesia, a catalytic USAID investment in a multi-donor project helped to show how reducing pesticide use can boost farm incomes from rice cultivation. Pesticide use is down 65 percent nationwide. Integrated pest management reduced environmental damage and health risks to farmers and saved \$120 million in insecticide subsidies.

Humanitarian and Postcrisis Assistance

USAID has four objectives for its humanitarian assistance: timely delivery of disaster relief and short-term rehabilitation,

helping prevent disasters and reduce the vulnerability of populations at risk, preserving the basic institutions of civil governance during periods of crisis and transition, and protecting the food security and health of vulnerable groups during conflicts or periods of reform.

Some highlights:

- In 1994, humanitarian assistance was provided to more than 50 countries. Emergency food reached an estimated 58 million people in 18 countries.
- Timely delivery of food and other resources and U.S. leadership of the donor effort in response to the 1992 drought in southern Africa prevented mass migration and starvation of hundreds of thousands of people. It also fostered long-term sustainable development in the region.
- USAID's efforts to help prevent, prepare for, and mitigate disasters has paid big dividends. Early warning systems for famine and pestilence in Africa, and elsewhere for volcanoes, have saved lives, property and rehabilitation costs.

Central and Eastern Europe and the New Independent States

USAID's programs in this region have three principal priorities: economic restructuring, building democracy, and social sector restructuring.

Highlights include:

- Assistance in privatizing industry and in new business start-up has contributed substantially to private sector growth in many countries. Enterprise Funds have sustained 21,000 jobs, created 11,000 more, and generated more than \$60 million in earnings. Twenty-three joint ventures with U.S. companies have been created, attracting \$150 million in private foreign investment.
- Energy audits and demonstrations have improved efficiency by as much as 30 percent in urban heating systems in Armenia, Belarus, Kazakhstan, the Kyrgyz Repub-

lic, Russia, and Ukraine. Use of U.S. equipment costing \$1 million resulted in an estimated annual saving of \$14 million in these systems.

- With USAID help, many parliaments in the region have enacted critical political reforms, including new election laws that help ensure fair and democratic elections.
- By helping to establish a legal basis for creating nongovernment organizations, USAID has enabled NGOs to flourish across the region.

Challenges for 1995

USAID has made significant progress in focusing on results, but more is required. Our agenda for 1995 includes:

- We will complete an Agencywide results framework, which will include performance indicators to assess the results of our work more uniformly and process indicators to track our internal progress in managing for results.
- We will complete development and begin installation of a corporate information system. When complete, it will reduce formal reporting requirements, increase USAID's ability to analyze and report on program performance, allow managers to make decisions better informed by the progress of their activities and lessons of experience, and permit broader, quicker dissemination of results.

Annual Report on USAID Program Performance

THE PROGRESS of other nations matters to the United States. Growth of democracy facilitates more peaceful resolution of disputes and greater acceptance of values and principles we embrace. Economic growth benefits both poor people overseas and U.S. companies and workers who produce the goods they buy. Improved health and lower population growth reduce the spread of diseases and pressures for migration. Sound uses of local environments sustain the world's resource base and enhance the quality of life for all the Earth's inhabitants. And smooth transitions away from communism, ethnic domination, or conflict lead to greater regional and worldwide stability and prosperity.

A focused, well-managed development assistance program is in the United States' interest, but only if it produces *results*. This report provides evidence from Mission reports, central evaluations, and other data collected during the past year that USAID is achieving measurable results through its programs.

To achieve results USAID must listen to and work closely with its partners and customers, learn from its experience, and improve its systems and incentives in response. In 1994, USAID published *Strategies for Sustainable Development* and developed guidelines for managers to follow in implementing them. Building on 3 years of experience, a directive was issued on strategic planning that underlines our commitment to performance measurement and requires all offices in the field and at headquarters to set clear program objectives, establish performance indicators and targets, and collect baseline information by April 1995. Operations and other support systems were re-engineered to focus them more clearly on results.

An Agency-level results framework will be developed in 1995 that will include common indicators of performance across all programs worldwide. The framework will also specify management performance indicators

and targets to help track how well the Agency is managing for results.

The full benefit of this improved ability to identify, report, and use program performance results will be realized over the next 2 to 3 years. However, USAID is already able to identify many of the impacts its programs are having and profit from lessons it is learning.

USAID's mission is to promote sustainable development—economic and social growth that does not exhaust the resources of a country; that respects and safeguards the economic, cultural, and natural environment; that creates opportunities for enterprises and incomes to grow; and that builds effective institutions and empowers citizens. Its programs address the four principal, inter-related threats to sustainable development: poverty and food insecurity, lack of democratic institutions and processes, rapid population growth and poor health, and environmental degradation. But USAID alone does not—cannot—achieve sustainable development. It can help, facilitate, even accelerate development, but the major task must be carried out by the developing country itself. Sustainable development is built on a sense of ownership and participation. To be successful, this effort requires partnerships with government agencies and non-governmental organizations (NGOs), other donors, and ordinary people in the countries where we work.

USAID also responds, on behalf of the American people, to disasters that create human suffering and diminish the prospects for sustainable development. Where possible, we help countries recover from violent conflicts and move toward sustainable development. In addition, the Agency plays a leading role in supporting the historic transition of the nations of Central and Eastern Europe and the former Soviet Union—and others such as South Africa, Ethiopia, Mozambique,

and Haiti—to more democratic, free-market societies.

During the past 3 years (FYs 1992-94), USAID funded programs totaling \$16 billion (excluding cash transfers to Israel and Turkey). Of this amount, \$11.7 billion in Development Assistance and Economic Support Funds were provided to countries in Africa, Asia, the Near East, and Latin America and the Caribbean—\$6.9 billion (59 percent) to encourage economic growth, \$2.9 billion (25 percent) to help stabilize population growth and protect human health, \$1.2 billion (10 percent) to protect the environment, and \$0.6 billion (5 percent) to build democracy.¹ In addition, USAID provided \$1.3 billion for humanitarian assistance and aid to post-crisis transitions, and \$3 billion to support the political and economic transitions in Central and Eastern Europe and the New Independent States of the former Soviet Union (ENI).

Although it draws on experience and examples from all of USAID's programs, this report focuses on programs in 41 countries in Africa, Asia, the Near East, and Latin America and the Caribbean where the Agency has decided to concentrate its sustainable development resources.² It also describes accomplishments of humanitarian and post-crisis assistance efforts worldwide and results to date from significant investments in the ENI region.

Since 1991 (earlier in Africa), USAID Missions have designed strategic plans that identify medium-term (5 to 8 years) objectives and intermediate outcomes for their programs.³ During the past year, these plans were revised to reflect USAID's new sustain-

able development strategies. To some extent, progress in making these adjustments came at the expense of our ability to report on performance, since some objectives and indicators previously established were modified.

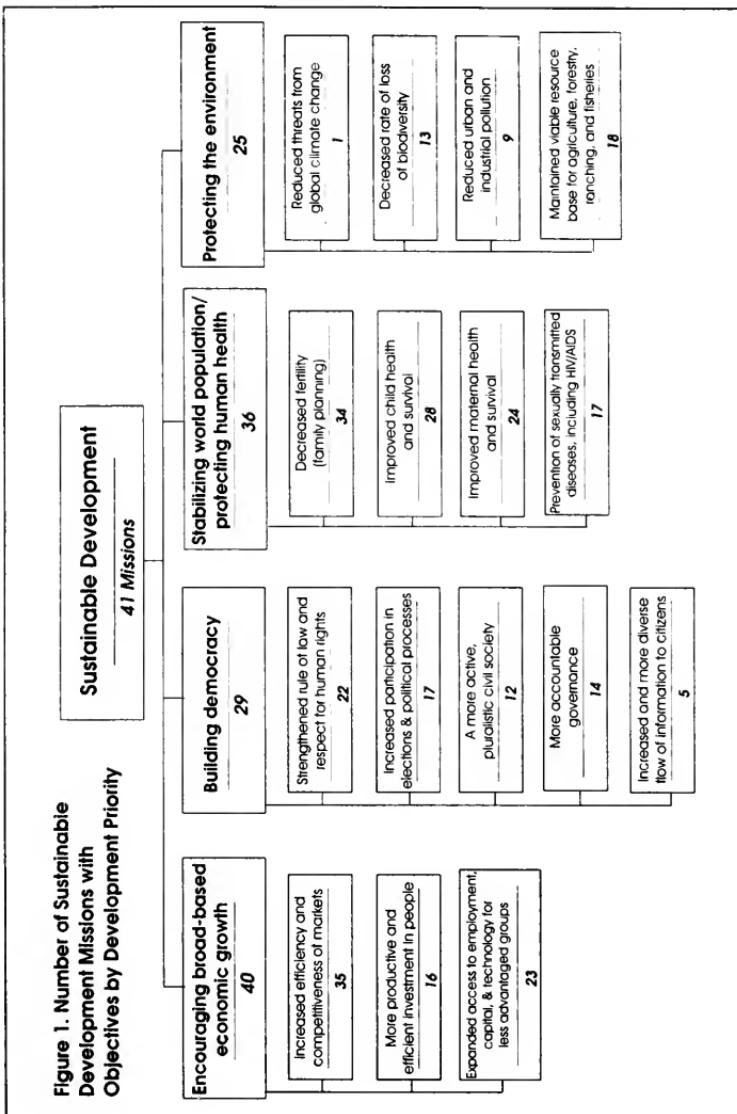
As of October 1994, all 41 sustainable development Missions—100 percent—have approved strategic plans, up from 75 percent in 1992. Figure 1 summarizes these strategies and the principal objectives that have been defined in these countries. Seventy percent of these Missions (compared with 40 percent in 1992) have set performance targets for half or more of their progress indicators. Results have been reported for 50 percent of the Missions' strategic objectives and 70 percent of their intermediate outcomes.

Information in this report is drawn from Mission reports that compare actual performance against their objectives. It is supplemented with material from project and program evaluations and other data collected during the past year. The report is organized by our main sustainable development themes (economic growth, democracy, population and health, and environment), followed by humanitarian assistance and ENI programs. Each section describes the strategy the Agency pursues, objectives defined as of September 1994, results these programs have achieved, and lessons we have learned from our experience. A final section outlines challenges that face the Agency's efforts to manage for results in 1995. This information is described in more detail in the full 1994 *Annual Report on Program Performance*, available from USAID's Center for Development Information and Evaluation.

¹ The inclusion of ESF and PL-480 Title III biases these percentages toward economic growth objectives. If ESF and Title III are excluded, the proportion of DA/DFA funding among the four areas would be as follows: economic growth—40 percent; population and health—43 percent; environment—12 percent; and democracy—6 percent.

² Sustainable development countries are those which USAID has determined to have good potential for sustainable growth, respect internationally recognized human rights or are moving in a positive direction in this regard, need assistance and have shown they can and will use outside help effectively. Unless otherwise noted, performance in these 41 countries is the basis for analysis in this report relating to our sustainable development programs. USAID also supports programs in 51 other countries. These include the ENI nations, as well as countries that have a development problem of global significance, where our activities emphasize crisis response or humanitarian assistance, or where USAID bilateral assistance is being completed within the next 2 years.

³ USAID's ENI programs have developed a separate but conceptually compatible system for monitoring and measuring results in response to their unique program and management setting.



Encouraging Broad-Based Economic Growth

Strategy and Objectives

ECONOMIC GROWTH is the foundation of sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. Significant economic growth has occurred in the developing world. According to data published by the World Bank, per capita incomes in developing countries as a whole grew faster than in the developed world from 1965 to 1990.

The region largely responsible for this record was Asia (which accounts for half of global poverty), where per capita incomes grew almost twice as fast as in the rich countries.⁴ During 1980-92, the average annual growth rate of developing countries lagged behind that of industrial countries because of negative performance in other regions, especially sub-Saharan Africa. However, several individual countries outpaced the performance of rich countries, including Botswana, Chile, Indonesia, Malaysia, Thailand, and the populous poor countries of China, India, and Pakistan.

To reduce poverty and food insecurity and contribute to lasting improvements in peoples' lives, economic growth must be *rapid*. It must be *broad-based*, leading to widespread increases in employment and incomes among both men and women. It must also be *sustainable* and based on efficient, responsible use of human, material, and natural resources. Finally, economic growth must be *participatory*, with open access by all to political and economic systems. Evidence from experience confirms the relationship between rapid economic growth and poverty

reduction. Data published by the World Bank from 13 developing countries show a high correlation between the rate of growth of national per capita household income (consumption) and the rate at which poverty declined.

USAID's economic growth strategy has three elements: strengthening markets, investing in people, and expanding access and opportunity. This strategy reflects a consensus that has emerged among donors and developing countries alike about key measures governments must take to promote broad-based economic growth.

These measures fall into two broad categories. First, governments must ensure a sound policy and institutional framework for efficient operation of private markets. This is fundamental but does not always guarantee that the poor and disadvantaged benefit enough. Thus, governments often need to intervene directly in areas where private markets, even with a sound enabling environment, fail to provide investments essential for sustainable development. These include human resource investments (particularly basic education and health services), physical infrastructure, and environmental protection. USAID supports institutional and technological change that benefits poor people and policies that protect them from discrimination in the marketplace.

Results

Forty sustainable development Missions have economic growth objectives. In most nations our programs have been relatively

⁴ Growth in China accounts for some of Asia's performance, but even when China is excluded, Asian per capita incomes grew almost 50 percent faster than those of developed countries. Even without China, there are more poor people in Asia than in any other region.

modest compared with investments by developing countries themselves and by multilateral development banks, particularly the World Bank. Nonetheless, USAID can take significant credit for progress in countries where economic growth has been a major element of its strategy. One reason is our professional field staff, larger than that of any other donor and able to engage host country counterparts regularly and directly on critical policy issues. In countries where assistance concentrates on a particular sub-sector or issue, such as privatization or microenterprise finance, an even larger share of results can be attributed to U.S. assistance.

Strengthening Markets

USAID programs in 35 sustainable development countries seek to strengthen the contribution of markets to economic growth by improving their efficiency and performance, mainly by reforming the enabling environment of policies and institutions. Economic research has shown that the enabling environment is critical to economic growth and analyses of USAID programs have confirmed this linkage. In Central America, large-scale U.S. assistance for market strengthening helped reverse sharp economic declines in the mid-1980s. With reforms, that region is now achieving positive economic growth, and USAID has been able to phase down its assistance. In Africa, an evaluation of USAID market-strengthening programs in six countries concluded that the main reforms (decontrol of prices and markets, relaxation of trade controls, reduced subsidies and

elimination of government monopolies) all resulted in increased efficiency.

The Agency is also helping privatize public enterprises and increase production in specific markets, especially non-traditional exports. In Honduras, USAID helped privatize 43 state-owned enterprises, earning \$160 million for the Honduran Treasury and reducing external debt by \$40 million. Where commitment to privatization by government authorities is lacking, however, as in Zambia, progress has been disappointing.

By 1993, non-traditional exports for countries assisted by seven Missions able to report results totaled \$1.75 billion, an increase of over 35 percent in 2 to 4 years. Five

Missions exceeded their 1993 targets. For example, with USAID support, El Salvador's non-traditional exports grew an average of 19 percent annually over the last 3 years, substantially more than the target.

Investing in People

USAID seeks to help countries establish self-sustaining basic education systems that will enable their people, particu-

larly the poor, to lead socially and economically productive lives. By one common quantitative measure (the percentage of the population age group enrolled in primary education), there has been substantial progress in the developing world over the last two decades: from 79 percent in 1970 to 102 percent in 1991.⁵

Even more impressive is progress in female primary school enrollment, up from 63 percent to 94 percent. The latter is particularly significant, given the important positive

⁵ Figures over 100 percent reflect the presence of under-age or over-age children enrolled in primary school.

effect that education of girls and women has on sustainable development. For example, even at modest levels, education empowers women to seek and use health and family planning services. In most countries, better educated women desire smaller families and a higher proportion of their children survive. Major regional disparities remain, however. In Africa, total and female primary enrollments in 1991 were 66 percent and 58 percent, respectively; in South Asia they were 89 percent and 76 percent.

A major deficiency of these enrollment ratios is that they tell us nothing about the quality of basic education. High drop-out rates and grade repetition by primary students in many countries reflect a judgment by parents about the poor quality of schooling relative to the need for children to work to supplement family income. Thus, 16 sustainable development Missions are pursuing improvements in the quality and efficiency of primary education. Most focus on girls' education and track female enrollment and grade completion rates.

Of nine Missions reporting results to date, eight are achieving or exceeding their targets. In Egypt, where USAID helped build more than 2,000 rural schools, girls' enrollment in first grade increased by 29 percent between 1981 and 1994. In Guinea, USAID-supported administrative and budgetary reforms of the primary education system led to an increase in first grade enrollment from 23 percent to 47 percent from 1990 to 1993. Enrollment by girls and rural children grew the fastest. In Guatemala, emphasis on expanding access to basic education through bilingual programs for the Mayan population increased enrollment of Mayan students by 7 percent from 1992 to 1993.

Expanding Access and Opportunity

Efforts to strengthen markets and invest in people significantly improve access and opportunity for the poor. But markets never work perfectly, even when the policy and institutional framework is sound. Competition is rarely complete, and high information and transaction costs (costs of assessing a good credit risk, for example, or of understanding and adopting new techniques) can justify selective government subsidies or even temporary direct support to poor and disadvantaged groups in new markets until they overcome these obstacles.

USAID programs in 23 sustainable development countries seek to expand economic access and opportunity. They do so

primarily through policy and institutional reforms and other measures that help women and other disadvantaged groups secure basic rights, gain access to resources and improved technologies, and influence public policy and administration. Most USAID programs in this area stress support for microenterprise finance and improved

****In Bangladesh....loans have helped build many women-owned microenterprises, and incomes of borrowers now exceed incomes from agricultural labor by up to 300 percent.****

technology for small farmers. Of 10 Missions reporting results to date, eight are achieving or exceeding their targets.

In Egypt, where USAID has given significant support to microenterprise and small business development, the number of small businesses and microenterprises receiving credit increased from 600 in 1991 to almost 16,000 in 1993. Microenterprise programs increasingly target women, who tend to have higher repayment rates than men and are more likely to spend enterprise income to improve family welfare.

In Bangladesh, USAID has generated economic opportunities for rural women

through more than 27,000 loans. The loans have helped build many women-owned microenterprises, and incomes of borrowers now exceed incomes from agricultural labor by up to 300 percent. Such advances enable many women and their families to move beyond abject poverty.

USAID is also expanding access of small farmers and microentrepreneurs to improved technology, information, and related services in 10 countries. In Jamaica, for example, the number of small farmers adopting improved and environmentally sound practices grew from 9,200 to 14,200 from 1992 to 1993, an increase of more than 50 percent. New cocoa cultivation techniques tripled small farmer production from 1989 to 1992 in one area that now accounts for almost 60 percent of Jamaica's total harvest.

Learning from Experience

Our experience in supporting economic growth has yielded some basic lessons:

- The policy and institutional setting is a central determinant of economic growth. One example comes from a recent evaluation of USAID agribusiness programs. In Guatemala, small farmers benefited more

from USAID support for improved policies and regulations affecting market performance than from assistance directly to them or to specific enterprises.

- Rapid, broad-based economic growth is critical for improving basic education, health, and nutrition because larger incomes allow families to invest more in these areas and because economic growth generates the revenue base for increased public services.
- A new evaluation study of several of the world's most effective microenterprise finance institutions concludes that carefully crafted management strategies allow such institutions to be financially viable and to rapidly increase their outreach. Financial viability requires charging interest rates that cover costs (including inflation and loan losses); this permits institutions to multiply donor contributions by tapping far greater funding from commercial sources. The best institutions are able to expand the number of loans by at least 25 percent each year, providing thousands of poor clients with their first access to loans and safe places to hold savings. Conclusions from this report are being integrated into USAID's Microenterprise Initiative.

Building Democracy

Strategy and Objectives

IN RECENT years, the belief that democracy provides the most accepted method of governing has spread through Latin America, Eastern Europe, Asia, Africa, and the former Soviet Union. According to the most recent Freedom House survey,⁶ 114 countries can properly be categorized as democracies, the largest number ever. The same survey reports that 60 percent of the world's people live in free or partly free societies.

Countries categorized as "partly free" are among those targeted for U.S. assistance programs. These countries are still in need of some measure of external assistance and, above all, the chance to build on the tangible gains they have made. At the same time, progress toward self-sustaining democratic governance will not in all cases proceed in a linear direction. U.S. democracy assistance programs, therefore, must have the flexibility to respond to unforeseen political developments as well as adopt a long-term development perspective.

Notable democratic progress was made during 1994 in South Africa, El Salvador, Mozambique, and Malawi. Less in the news, but no less important, significant gains occurred in Ukraine, Panama, and Uganda. These transitions were the products of free and fair elections, a discernable expansion of political and civil liberties, and strengthened organizations that advocate on behalf of, and represent, the citizenry.

Major challenges to sustainable democratic governance, however, remain. Forty percent of the world's people continue to live in societies where basic rights are denied. In

addition, countries such as Rwanda, Burundi, and much of the former Yugoslavia demonstrate that ethnic conflicts, if allowed to fester, can descend into the horror of genocide. In all regions of the world, insufficient economic growth, high levels of illiteracy, over-reaching military bureaucracies, and corrupt civilian bureaucracies challenge new democratic governments.

USAID's democracy strategy has five broad objectives:

- strengthening the rule of law and respect for human rights;
- increasing citizen participation in elections and political processes;
- expanding an active civil society;
- developing more accountable governance; and
- increasing the flow and diversity of information to citizens.

Specific programs are tailored to country circumstances and available resources. Twenty-nine sustainable development Missions have significant democracy programs. Sixteen of these countries are classified as "partly free" and seven as "free" in the most recent Freedom House survey. USAID considers these 23 countries as having the greatest potential for promoting and consolidating democratic rule.

In the remaining six, classified as "not free" by Freedom House, USAID looks to take advantage of specific opportunities for promoting democracy and respect for human rights, relying principally on work with both U.S.-based and local non-governmental organizations (NGOs). While operating within a slightly different framework, USAID also

⁶ The Freedom House index is a seven-point scale grouping countries according to their degree of freedom. Using a checklist of nine indicators for political rights and a checklist for 13 indicators of civil rights, Freedom House determines two values for the respective group of rights. The average of these two values is used to group countries in three categories: "free," "partly free," and "not free."

has set significant democracy objectives in the ENI region and for other countries such as Cambodia, Haiti, and Gaza/West Bank.

Results

USAID played an important role in six of eight countries that made significant democratic gains, according to the most recent Freedom House survey.⁷ But sustainable democratic change comes neither quickly nor easily. Investments must be made carefully and incrementally in educating citizens about democratic values, redefining government's role, and building key institutions inside and outside government to nurture the new political environment. Successful transitions often flower from seeds of reform planted much earlier.

Such was the case in South Africa and Mozambique. In South Africa, USAID began in the mid-1980s with support to NGOs and community groups. This led to more intensive work during recent elections on voter education, expanded political work by NGOs, training election observers, and strengthening the electoral commission. Post-election assistance is focused on building respect for the rule of law, supporting good governance, and strengthening civic organizations as a check against future abuses of power.

In Mozambique, USAID's help during civil war in the 1980s and early 1990s stressed humanitarian assistance for refugees. The October 1994 elections were a watershed. Before the elections, USAID activities shifted to voter education, electoral commission strengthening, and training local election monitors. These efforts played a key role in ensuring successful elections. After the elections, USAID is supporting new initiatives in decentralization, legal reform, and development of civil society.

In countries where the initial political transition phase has been completed, Missions concentrate on consolidating demo-

cratic development. In Bolivia, for example, USAID is working to improve the effectiveness and accountability of judicial systems and legislatures. In Namibia, one of Africa's newer democracies, USAID is encouraging more diverse representation in parliament and supporting civic education programs.

Not all efforts have led to unequivocal successes. The Dominican Republic's May 1994 elections were widely regarded as fraudulent, notwithstanding USAID support for the electoral commission and an international monitoring effort. In Zambia, corruption among top government officials led the United States and other donors to reduce assistance. (Since then, Zambia has enacted a new parliamentary and ministerial code and announced plans for a corrupt practices act.) In Indonesia, the government has proposed legislation that would limit the freedom and effectiveness of NGOs; if enacted and enforced, the entire USAID program would have to be reassessed.

Rule of Law and Human Rights

Citizens require a strong legal framework to ensure their fundamental rights, to establish procedures for redress, and to enforce contracts. More than 75 percent of USAID's sustainable development Missions with democracy programs support work in rule of law and human rights. Of the 11 countries reporting some results to date, nine are showing progress toward their objectives.

Rule of law programs began in Latin America in the 1960s and spread there and in other regions in the 1980s. As a result of these programs, access to legal advice and redress through legal aid and alternative dispute resolution has increased significantly for poor and marginal populations. In Bolivia, for example, the Inter-American Bar Foundation, with USAID support, has established three neighborhood reconciliation centers and plans to increase this number to 20 by 1997. USAID also helped eight Latin American countries adopt and implement re-

⁷ Countries that changed from "not free" to "partly free" or "partly free" to "free". The six countries are Haiti, Malawi, Mozambique, Panama, South Africa, and Uganda.

vised criminal codes and move toward systems featuring public trials and clear limits on pretrial detention.

In Central and Eastern Europe and the New Independent States, advisors are helping reform judicial procedures, train judges, revamp law school curricula, and develop bar associations. Effective work in court reform requires strong political support. Where this is lacking, we have focused on building constituencies and local NGOs to push for judicial reform.

USAID is making human rights a more visible objective, working with local and international NGOs to increase support for human rights monitoring and education. For example, Latin American partners, including the Inter-American Institute for Human Rights and indigenous NGOs, actively spread awareness of citizen rights. Publications advocating human rights are now available in every country in the region.

Elections and Political Processes

Providing channels for citizens to negotiate conflicting interests peacefully and to participate actively in government decision-making is at the heart of the democratic process. To this end, USAID supports open, honest elections; vigorous, effective legislatures; and more competent, representative political parties. Seventeen Missions have established objectives in this area; of seven for which data are available, six are showing progress toward their targets.

USAID's election support emphasizes building local capacity to conduct and monitor elections and educating citizens about the elections process and their role in it. Assistance to electoral tribunals in Bolivia, El Salvador, Panama, Mozambique, and South Africa helped ensure elections that were ac-

cepted as legitimate. In Bolivia, USAID was successful in building electoral institutions and supporting registration of 1.4 million voters in 1993; attention has now shifted to local issues. In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations for elections held during 1994.

As part of the effort to strengthen the political process, particularly following transition elections, USAID has sought to reinforce the role and capacity of legislatures. These efforts have helped legislatures in several countries obtain more and better information for decision-making. In Central and Eastern Europe, for example, programs have built legislative research and information systems independent of those for the executive branch in eight countries.

Civil Society

USAID supports a wide range of NGOs that champion reforms essential for democratic governance, including labor federations, business associations, policy think tanks, and human rights, pro-democracy and environmental groups. Many of

these civil society organizations spearheaded pro-democracy reform movements in their countries. Twelve sustainable development Missions have identified this as a major focus of their democracy programs.

USAID support strengthened democratic reform in Chile and Thailand. In Thailand, labor unions and environmental organizations receiving USAID assistance for sector-specific activities played central roles in the national campaign to restore elected civilian government in 1992. The same groups are now promoting constitutional reforms to ensure greater accountability in public life, limit the political role of

•In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations.*

the military, and build strong local government.

In Chile, seven elections from 1988 through 1993 were crucial to restoring democratic governance. During this period, two organizations received USAID assistance to organize massive voter education campaigns. Their efforts contributed significantly to Chile's peaceful transition to democracy.

Accountable Governance

Executive branches that are arbitrary, narrowly based, inept, and corrupt pose a primary obstacle to sustainable development. They erode public confidence, threaten political stability, stifle individual and group initiative, and create an unpredictable environment for social and economic investment. Fourteen sustainable development Missions are pursuing objectives in accountable governance. According to results reported to date for eight Missions, seven are showing progress toward their targets.

Much of USAID's assistance aims at decentralizing power and authority from strong central governments to local communities and broadening opportunities for direct citizen participation in political processes. In Honduras and Nicaragua, for example, USAID-supported programs have established a tradition of frequent town meetings and opened other decision-making bodies to citizens.

In El Salvador, Guatemala, and Mozambique, USAID has facilitated public dialogue about the role of the military in democratic governments and supported reintegration of soldiers into civilian life.

Increased Information Flow

Citizens must be well informed to participate effectively in democratic processes. This requires media that are unbiased, legitimate, able to investigate and analyze events, and free from government interference. In many developing countries, the media are fettered by government restrictions, their own ineptitude and irresponsibility, and a lack of public confidence in what they report.

In recent years, progress has been made in Africa, Asia, Latin America, Central and

Eastern Europe, and the New Independent States in improving the capacity and openness of the media. USAID support to The Asia Foundation helped develop journalistic skills in the press and mass media in Bangladesh, Indonesia, Nepal, and Sri Lanka. In Madagascar, USAID trained journalists in economic reform and accountability. In Central America, USAID trained 50 percent of the region's journalists and media managers in journalistic ethics. In 1989, citizens of the region had little faith in the media; by 1994, a public opinion poll found the media ranked second to the Catholic Church in credibility.

Learning from Experience

Although USAID's major emphasis on building democracy is recent, we have already learned important lessons from experience:

- Democracy must be substantially home-grown and cannot be imposed on the basis of a preconceived model. For this reason, USAID programs are designed following an assessment of existing conditions within a country.
- Adoption of democratic rule comes most reliably when there are strong demands for reform from vigorous citizen groups. Once reforms are introduced, these groups also play a watchdog role in ensuring that politicians and officials adhere to new democratic rules.
- Although international monitoring plays an important role in the conduct of elections, sustainable democratic development requires local capacity to monitor elections.
- Ensuring fair and impartial judicial systems is a high-risk strategy in countries where political will is lacking. Thus, as articulated in a recent six-country evaluation of donor Rule of Law programs, USAID must often support constituency groups that advocate legal and judicial reform, in addition to programs helping revise legal codes and judicial administration.

Stabilizing World Population Growth and Protecting Human Health

Strategy and Objectives

RAPID POPULATION growth and poor health are inextricably linked to the factors that keep nations poor. They are also closely associated with low status and limited rights for women. USAID's strategy to stabilize population growth and protect human health has five priorities:

- preventing unwanted pregnancies and abortions;
- reducing deaths of children from preventable diseases;
- decreasing pregnancy-related deaths;
- preventing transmission of sexually related diseases such as HIV/AIDS; and
- increasing the basic education of girls and women.

USAID is a leading donor in this sector. Its technical leadership and support for country programs have contributed directly to dramatic results in lowered mortality and fertility and significant movement toward stabilizing world population. Annual world population growth dropped from 2 percent in the 1960s to 1.57 percent in the 1990s. This is the lowest growth rate since the 1940s and has happened while fewer children are dying and people in general are living longer. Improvements in infant and child survival and achievement of desired smaller family size have occurred particularly rapidly in countries where USAID has concentrated its assistance.

Results

Ninety percent (37) of USAID's sustainable development Missions are pursuing objectives in population or health. The impact of USAID assistance is particularly notable

in family planning and child survival, where USAID has the longest track record. With our development partners, we have contributed to major changes in access to services, quality of care, individual health status, health and family planning options and practices, and average family size. These are among the best documented results in the field of development, a direct consequence of USAID's long-term investment in demographic and health surveys and research and training. There are also promising results in newer areas such as maternal health, on which USAID is beginning to focus.

Family Planning

In 34 sustainable development countries, the Agency is helping implement programs that enable families to achieve desired family size. Most programs are reaching or exceeding their objectives. In the 28 countries that have received the largest amount of population assistance, average family size has decreased from 6.1 children in the 1960s to 4.2 in 1992. In five USAID-assisted countries, the percentage of couples using modern contraceptive methods has increased by more than 2 percent a year since the late 1980s. In almost all other USAID-assisted countries for which we have recent data, average annual increases in the contraceptive prevalence rate have exceeded 1 percent. These results are especially impressive since the number of people to be served increases substantially every year. Just maintaining existing levels of contraceptive use requires expanded service delivery.

USAID's contribution to moderating population growth is shown in countries like Bangladesh, Colombia, Egypt, Indonesia, Kenya, Mexico, and Morocco where we have been the major provider of technical and financial assistance for years. In each country,

a clear pattern has emerged of increased family planning knowledge, expanded and improved service delivery, increased contraceptive use, and decreased desired and actual family size.

Tanzania provides a dramatic example of how our assistance contributes to national-level changes. In 1990, when USAID began its first population project, most family planning clinics lacked essential supplies and trained staff. Assistance focused on improving management and supply systems, providing better staff skills, and expanding client information and choices. Since 1991, modern contraceptive use has more than doubled, from 7 percent to 15 percent.

Child Survival

The death of a child from a preventable disease is still too common. A recent survey of 30 developing nations found that at least 25 percent of women of reproductive age have lost at least one child. USAID works with its partners to reach the international goal of reducing child mortality rates by one-third in this decade. Twenty-eight Missions have set child survival objectives. Of the eight Missions reporting results to date, six are achieving their targets.

Although the HIV/AIDS pandemic may be eroding previous gains in child survival in some African countries, overall there have been important improvements in child health in the past decade. From 1985 through 1992, infant mortality declined by 10 percent in USAID-assisted countries. In some countries the decline was even greater, ranging from 17 percent in Bolivia to almost 50 percent in Honduras. During the same period, mortality rates for children under 5 in USAID-assisted countries dropped by 10 percent to 40 percent. In Egypt, child deaths before the age of 5 dropped from 130 per 1,000 in 1985 to 85 per 1,000 in 1990.

USAID is contributing to increased immunization coverage. From 1980 to 1990, the

percentage of children immunized against major preventable diseases increased from 20 percent to 80 percent. Worldwide, this increase saves the lives of an estimated 2.8 million children every year. In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which the United States was the lead donor.

In the 1970s, USAID was the chief supporter of research in Bangladesh that led to development of oral rehydration therapy to prevent deaths from diarrhea. With USAID assistance, use of the therapy during diarrheal episodes among children continued to increase, from 12 percent in 1984 to 46 percent in 1992. This treatment saves children's lives in the United States as well as in developing countries. It prevents an estimated one million child deaths worldwide each year.

By working with partners, we are able to leverage other resources. This is well illus-

trated by the vitamin A program in the Philippines. First, the Philippine Department of Health, Helen Keller International (a U.S. private voluntary organization), and Hoffman-LaRoche (a U.S. pharmaceutical company) joined forces with USAID in a campaign to prevent blindness by distributing vitamin A capsules to 90 percent of preschool children. Now, a longer-term

solution—making low-cost vitamin A-fortified margarine available in local markets—has been developed by the Nutrition Center of the Philippines (a local NGO), Johns Hopkins University, and Procter and Gamble, all working in partnership with USAID.

Maternal Health

Of all health statistics, maternal mortality is the one that shows the greatest disparity between the developed and developing world. African, Asian, and Haitian women are up to 200 times more likely to die as a result of pregnancy than women from industrial countries.

With programs in 24 sustainable development countries, USAID is working toward the worldwide goal of reducing maternal mortality by half by the year 2000. While it is unlikely that this ambitious goal can be met, USAID-assisted demonstration projects in countries such as Bolivia and Indonesia are showing that better care during pregnancy and delivery can save women's and babies' lives. In Bolivia, for example, a pilot project in 50 rural communities, which focused on improved self-diagnosis of maternal and neonatal health problems and referral and improved care for those with complications, reduced the death rate of babies under 1 month of age from 117 per 1,000 live births to 44. Maternal deaths from pregnancy-related causes in the pilot communities decreased from 11 to 7 a year.

Preventing Transmission of Sexually Related Diseases, Including HIV/AIDS

USAID is the leading bilateral donor providing technical and other support for programs to prevent the transmission of sexually related diseases. Since 1986, we have provided more than \$500 million for HIV/AIDS prevention. Seventeen Missions are pursuing objectives in this area through programs aimed at promoting safer sexual behavior through information, education and communication; increasing correct use of condoms; improving treatment services; and working with government and community leaders to develop policies that support effective prevention activities.

In Africa, where USAID has provided the most support, knowledge of HIV/AIDS has increased dramatically. The majority of adults can identify at least two effective methods of lessening the risk of contracting HIV/AIDS. In Thailand, USAID helped a national program slow the spread of the virus.

We are helping other countries become familiar with the lessons learned in Thailand.

Basic Education for Girls and Women

Basic education, especially for women and girls, is also a focus of USAID's economic growth strategy. Results from our programs in this area were discussed in the economic growth section above.

Learning from Experience

Operations research, analysis, and information on program performance have helped us achieve our objectives in stabilizing population and protecting human health. Among the lessons learned are these:

- USAID's ability to combine effective management and collaborative programming with technical approaches has been an important element in our success. Technical interventions such as increased immunization, use of oral rehydration therapy, vitamin A supplementation, child spacing, and breastfeeding should be combined with management improvements such as better handling of vaccines and other critical supplies, decentralized administration, and close collaboration among host country and donor agencies.
- It is important to address the sustainability of family planning and health services at the early stages of program planning. Sustaining programs requires improved management, removing legal or regulatory barriers to efficient service delivery, stronger local institutions, better trained managers and service providers, and involving the private sector through innovative approaches such as social marketing.
- Providing a high quality of care and, where feasible, a range of services together is extremely important.

Protecting the Environment

Strategy and Objectives

ENVIRONMENTAL PROBLEMS increasingly threaten the economic and political interests of the United States and the world at large. Degradation of rural and urban environments has led to increases in human illness, loss of economic productivity, and a reduced standard of living for countless people in the developing world. Environmental degradation in these countries also affects Americans directly through the loss of economically important biological diversity and rising levels of greenhouse gases. These problems require international cooperation.

USAID is working with U.S. and host country partners to support the sustainable development objectives of Agenda 21—the recommendations from the U.N. Conference on Environment and Development (1992 Rio Earth Summit). USAID programs address long-term threats to the global environment, particularly loss of biodiversity and global climate change. They also promote sustainable economic growth locally, nationally, and regionally by modifying policies and practices that have damaged the environment and by building local institutions to address environmental problems.

Programs to address global objectives concentrate on a limited number of countries where progress is likely to have the greatest impact worldwide.⁸ Selected results of USAID's biological diversity programs are described below. USAID's impacts on global climate change are not yet well documented, as these initiatives are new to the Agency. USAID is engaged in major efforts to reduce

greenhouse gas emissions in key countries. Details on this effort can be found in our June 1994 report to Congress, *Global Climate Change: The USAID Response*.

Programs to protect the environment at national and local levels also figure prominently in a wide range of sustainable development countries. They seek to protect biological resources, promote environmentally sound urban and industrial development, foster efficient use of renewable and non-renewable energy, improve the availability and quality of water, and encourage better stewardship of natural resources.

Activities related to energy and water are important in many countries, but they have often been components of broader development activities. As a result, impacts have frequently been assessed more in terms of their economic and social consequences rather than on strictly environmental criteria. Also, the environmental impacts of certain water and energy activities are often reported under other environmental objectives. For example, assistance for wastewater treatment activities in Egypt are reported in the section on urban and industrial development, and coastal resource management pilot activities in Sri Lanka, Ecuador, and Thailand appear in the natural resource management discussion.

This document reports on the impacts of activities in the areas where USAID has had more long standing or focused programs—biodiversity protection, stewardship of the natural resource base, and urban and industrial pollution prevention—and where a more significant body of results is available.

⁸ The key countries for global warming are Brazil, India, Indonesia, Kazakhstan, Mexico, Philippines, Poland, Russia, and Ukraine. While active in a number of countries with biodiversity concerns, USAID is in the process of identifying priority countries for its biodiversity investments. That list tentatively includes the following countries or regions: Bolivia, Brazil, the Central African region, Central America, Ecuador, India, Indonesia, Mexico, Papua New Guinea, Peru, the Philippines, Russia, and Thailand.

Results

Sixty percent (25) of the sustainable development Missions have one or more environmental objectives. These Missions are spread widely across Asia, Africa, and Latin America and the Caribbean.

Biodiversity

At current rates of destruction, it is estimated that 5 percent to 10 percent of all living plant and animal species will be extinct by 2025. Against this threat, significant human and financial resources have been mobilized to protect biologically rich habitats. The results are impressive. Between 1980 and 1990, the amount of land set aside by the nations of the world in protected areas increased 40 percent, from 4.5 million square kilometers to 6.5 million. Of these, 4.1 million square kilometers are in developing countries—an area about three times the size of Alaska.

USAID is an active partner in this effort. In 1994, we supported more than 90 biodiversity activities in 40 countries. Thirteen sustainable development Missions have major programs in this area. Five have reported results to date and all are achieving or exceeding their objectives.

Through the Parks in Peril program, USAID support has led to creation of 26 protected areas covering 5.6 million hectares in 12 countries. Noel Kempff Mercado Park in Bolivia is one example. Lumber extraction within the park has declined, takings of river turtles and their eggs have decreased, confiscation of illegal products is down 66 percent, and responsible tourism visits increased by 400 percent from 1992 to 1994. In the Philippines, debt-for-nature swaps have endowed a \$25 million environmental fund. Interest earned has financed more than 100 projects designed and implemented by grass-roots environmental NGOs.

“USAID support has led to creation of 26 protected areas covering 5.6 million hectares in 12 countries.”

Not all the news is positive, however. Many protected areas are too small, fragmented, or degraded to offer real sanctuary for embattled species. Disputes over land tenure conditions and inadequate enforcement activities result in ineffective protection of many other protected areas. Opportunities to generate revenues from sustainable use of protected habitats are still being missed. These lessons are being incorporated into the next generation of environmental activities.

Natural Resources Management

Maintaining the productivity of natural resources, particularly for agriculture, is an area in which USAID has built significant expertise. Eighteen Missions now have natural resource objectives. Of the nine reporting results, six are achieving or exceeding performance targets. Concern about negative environmental effects of agricultural practices led USAID to develop and promote new technologies to maintain or increase long-term productivity, and involve farmers—men and women—more actively in the process.

For example, in Honduras, we are helping transform destructive hillside agricultural practices and provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting environmentally sound cultivation practices doubled to more than 21,000 between 1989 and 1993, reducing soil erosion by 70,000 tons. At the same time, 10,000 participating families increased their yields at least 30 percent. Extension training activities carried out by male and female community leaders is speeding the dissemination of improved technologies among neighboring farmers. USAID has decreased deforestation and promoted reforestation in several countries. In Pakistan, communities that suffer from fuel-wood shortages are promoting tree farming after policy and economic reforms established a market for seedlings. More than 100

million trees have been planted on private farmlands, with good survival rates.

In the Philippines and Nepal, where forests are rapidly disappearing, new laws transfer management of public forests to local communities. In the Philippines, more than 12 million hectares are now communally managed and are beginning to show increased forest regeneration and improved soil and water retention, bringing economic benefits to local communities.

Support for integrated pest management is also reducing environmental damage and increasing yields. In Indonesia, a catalytic USAID investment in a multi-donor project helped to show how reducing pesticide use can boost farm incomes from rice cultivation. In 1986, the government began training farmers how to distinguish between pests and their natural predators and how to calculate whether the predators were doing a better job of keeping down pests than chemicals. As a result of this program, rice yields among farmers using IPM are approximately 15 percent higher compared to other farmers under similar conditions and pesticide use is down 65 percent nationwide. Integrated pest management reduced environmental damage and health risks to farmers and saved \$120 million in insecticide subsidies.

Pilot activities in coastal resources management have had major impacts through policy changes and participatory approaches in several countries. In Thailand a model strategy for local/national partnerships in managing the country's coral reefs has now been extended to mangrove wetlands and the coastal zone as a whole. This expanded program, financed by the Thai government, will lead to better management of shrimp farming and tourism, activities not previously managed sustainably.

****Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone.****

In Sri Lanka, we helped create a new planning system to control coastal erosion through adoption of set-back regulations and environmental impact assessments for all activities that alter the coastal area. In Ecuador, 194 groups of fishermen, mollusc collectors, shrimp farmers, and tourism and residential developers now work with government agencies in five special management areas to set coastal policies.

Urban and Industrial Pollution

Benefits of urban and industrial development are being increasingly offset by the high social costs of environmental problems. This problem is a target of programs in eight sustainable development countries, as well as

in the ENI region. USAID is working to transfer U.S. domestic experience to its work overseas, ranging from legal and policy changes at the national level to pollution audits for individual plants affecting particular neighborhoods.

USAID supports expanded wastewater treatment in Egypt, Honduras, India, Indonesia, Jamaica, Jordan, and Thailand. In Egypt, where we finance major wastewater infrastructure, the percent of wastewater treated in Cairo and Alexandria increased from 40 percent to 75 percent, reducing by 81,000 tons a year the pollutants entering the Nile, the sole source of water for most Egyptians.

Housing Guaranty programs have leveraged reforms that result in expanded provision of potable water, sewers, and solid waste disposal on a sustainable basis. Quito, Ecuador, provides a good example. There technical assistance and the promise of Housing Guaranty funds led to reform of the Municipal Water Authority. New accounting and information systems improved budgeting, service extensions, tariff collection, and leak detection, lowering operating costs by 25

percent. Moreover, USAID advisors showed that construction codes were over-engineered, resulting in prohibitively high new-service costs. After revising the codes, new service costs became affordable for low-income families. In 3 years, the Water Authority has made 35,000 new household connections and upgraded services to Quito's marginal neighborhoods, benefiting 180,000 people. The Authority, now financially solid, has obtained private loans and is extending service to the remaining 10 percent of Quito's population currently lacking piped water.

Efforts to decrease industrial pollution are also having significant impacts. In Tunisia, a pollution audit at a lead battery plant led the owner to invest \$8,000 in new equipment and change its operating procedures. Operating costs dropped by \$770,000 a year and lead dust and lead-contaminated water emissions were cut by 60 percent. As news of this savings spread, other battery makers implemented the same changes without USAID assistance.

Learning from Experience

Two lessons stand out from efforts to protect the environment:

- Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone. Whether for managing a nature reserve, cleaning up a polluted river, changing farming systems, or reforming environmental policies, local stewardship is essential to sustained success.
- Linking sound environmental practices to real economic benefits—"win-win" strategies—characterize our more effective programs. Evaluations show the environment will more likely be managed well when tangible economic benefit can be derived from doing so. Sustainable upland agriculture practices are adopted readily if they increase local farm incomes; parks are protected if communities share entry fees.

Providing Humanitarian Assistance and Aiding Post-Crisis Transitions

Strategy and Objectives

AS SUPERPOWER tensions ease in the 1990s, religious and ethnic rivalries are leading to armed conflict, widespread dislocation, and death and suffering on a massive scale, especially in Africa and the Balkans. These conflicts destroy social, political, and economic institutions and set the development process back by decades.

Natural disasters, too, can erase years of progress in minutes. USAID's humanitarian programs seek to save lives and reduce suffering in the face of disasters, return individuals to self-sufficiency, and establish conditions for countries to move toward sustainable development and democracy in the aftermath of crises. In these efforts, we work as partners with U.S. and local NGOs, other bilateral donors, U.N. organizations and the recipients themselves.

USAID has four objectives for its humanitarian assistance:

- timely delivery of disaster relief and short-term rehabilitation;
- preventing disasters and reducing the vulnerability of populations at risk;
- preserving the basic institutions of civil governance during periods of crisis and transition; and
- protecting the food security and health of vulnerable groups during conflicts or periods of reform.

In 1994, humanitarian assistance was provided to more than 50 countries; the majority of funds went to the former Yugoslavia, Haiti, and 13 African countries. Emergency food assistance alone reached an estimated 58 million people in 18 countries with daily rations. USAID responded to 60 declared disasters, more than 40 percent of which were complex crises involving civil conflict.

Results

Timely Delivery of Disaster Relief

USAID assistance reduced suffering, saved thousands of lives, protected development progress, and hastened the return to sustainable development after crises. We responded quickly to an earthquake in India, a cyclone in Mozambique, flooding in Tajikistan, landslides in Colombia, volcanic mudflows in the Philippines, and 33 other natural disasters with food, medical supplies, temporary shelter, and other relief.

USAID and the rest of the international relief community have become more proficient at responding to rapid-onset disasters. The number of such disasters decreased 25 percent from 1992 to 1994, while USAID expenditures dropped by half, indicating improved efficiency. There is also a growing capability to respond to drought emergencies. Timely delivery of food and other resources and U.S. leadership of the donor effort in response to the 1992 drought in southern Africa prevented mass migration and starvation of hundreds of thousands of people. At the same time, it fostered long-term sustainable development in the region.

In 1994, the U.S. response to complex emergencies was controversial, but it achieved significant results. In Bosnia-Herzegovina, food and other assistance helped prevent widespread death from starvation and exposure in the winter of 1993-94. In Rwandan refugee camps in Zaire, the Department of Defense and USAID provided a portable-water system that broke the back of a cholera epidemic among the camp's 800,000 inhabitants. In Angola, Liberia, and Sudan, 25 million people dislocated by civil war were fed with PL-480 food aid delivered by NGOs and the World Food Program.

Preventing Disasters and Reducing the Vulnerability of Populations at Risk

USAID's efforts to help prevent, prepare for, and mitigate disasters has paid big dividends. Early-warning systems for famine and pestilence in Africa, and elsewhere for volcanoes, have become increasingly effective in saving lives, property and rehabilitation costs. Famine early-warning system data and reporting across Africa have allowed donors and governments to target food aid to affected people more quickly. In Malawi, for example, famine early-warning system staff helped the government develop an effective food distribution schedule based on crop estimates.

In West Africa, USAID's Emergency Locust/Grasshopper Assistance allowed Mauritania, Senegal, and The Gambia to avoid major crop losses during a locust outbreak in 1993. And in the Philippines, warnings from a local volcanology institute, using USAID-funded equipment and advisors, enabled early evacuation of at least 80,000 people and saved an estimated \$1 billion in property when Mount Pinatubo erupted in 1991.

Training programs have also built the capacity of governments and NGOs in Latin America to respond to disasters. Governments there now need fewer U.S. resources in times of crisis. For example, in Colombia local authorities trained by USAID were able to respond to a 1994 earthquake with minimal outside assistance, in marked contrast to 1985, when \$2.75 million was provided after an earthquake of similar scale.

Preserving Civil Governance During Crisis and Transition

Transition initiatives are extremely difficult owing to the environments in which

they take place, frequently involving armed conflict. USAID efforts in Bosnia, Rwanda, and Somalia have shown little progress. However, support to Mozambique helped that country emerge from 17 years of civil strife and the 1992 drought to hold free and fair multi-party elections in October 1994. Recent efforts to restore democracy in Haiti have also been promising.

Protecting Vulnerable Groups

In strife-torn Ethiopia and Mozambique, working through networks of PVOs and government-to-government food-aid programs, USAID provided safety nets for vulnerable groups, kept farmers on their land, and helped them keep tools and other assets until the crises passed. The number of emergency food-aid recipients has now dropped significantly in these countries. Emergency food provided a critical safety net for 26,000 people in Gaza-West Bank during the transition to autonomous rule, for more than 1.2 million vulnerable people in Haiti through its recent political crisis, and for 3,500 Guatemalan refugees who had fled to Mexico.

“In 1994, humanitarian assistance was provided to more than 50 countries....Emergency food assistance alone reached an estimated 58 million people.”

Learning from Experience

From our experience in humanitarian and post-crisis transition, we have learned several key lessons. Among them:

- Regular attention to the transition from relief to development in program planning has high payoffs. To ignore disaster risks in planning sustainable development programs, or conversely, to ignore the development and transition implications of emergency conditions and of emergency assistance can be costly. This lesson is especially important for the countries of the Greater Horn of Africa, probably the most food-insecure in the world. USAID is

a key donor in the region. In our strategy there, the relief-to-development continuum is a major planning concept for addressing food insecurity.

- Early detection and warning of potential hazards or emergencies is the most important way to avert major disasters. USAID

is expanding its early-warning systems into new regions and new sectors.

- Social safety net programs are most effective when designed to help beneficiaries participate actively in recovery and development activities. Governments must be genuinely committed to compensatory programs if they are to succeed.

Central and Eastern Europe and the New Independent States

Strategy and Objectives

THE CHANGES that swept Central and Eastern Europe and the Soviet Union in 1989-91 were historic. They prompted a unique and innovative U.S. assistance program led by USAID. As these countries emerged from communist rule, economic activity was centrally controlled, private ownership was virtually non-existent in the former Soviet Union and some of its satellites, and little was known about how to establish free-market economies and democracy. Governments were not based on the will of the people nor accountable to them. Energy was used inefficiently, and pollution was widespread. Progress against these challenges has been impressive, but much remains to be done.

USAID's ENI programs have three priorities:

- **economic restructuring**, to foster competitive, market-oriented economies in which the majority of resources are privately owned and managed;
- **democracy**, to support transparent and accountable governance and empower citizens through political processes; and
- **social sector restructuring**, to strengthen the capacity of some countries to ease hardships of at-risk groups during the transition and restructure social benefits to make them sustainable.

Results

Economic Restructuring

USAID programs are helping transfer state-owned assets to the private sector, establish more stable business environments, facilitate expansion of private enterprise, promote fiscal and financial sector reform, and support sustainable uses of natural resources. Central to this effort are USAID-

funded advisors who actively help draft policies, legislation, and regulatory procedures needed to break up monopolies, establish markets, and strengthen competition.

Assistance in privatizing industry and in new business start-up has contributed substantially to private sector growth in many countries. In Russia, USAID helped establish a nationwide voucher system, which enabled 70 percent of Russian industry to be privatized and 40 million Russians to become shareholders. As a result, more than 40 percent of industrial workers are now in the private sector, and 25 percent of Russian households own their homes. An estimated 65 percent of Czech Gross Domestic Product (GDP) is now produced in the private sector. New private sectors in eight countries—Albania, Estonia, Hungary, Latvia, Lithuania, Poland, Russia, and Slovakia—each produce 50 percent to 55 percent of GDP. In the remaining countries, the private sector share of GDP in mid-1994 ranged between 20 percent and 40 percent. Land privatization, however, has been more complex, and progress considerably slower.

USAID-created Enterprise Funds in Central and Eastern Europe have sustained 21,000 jobs, created 11,000 more, and generated over \$60 million in earnings. Twenty-three joint ventures with U.S. companies have been created, attracting \$150 million in private foreign investment.

Appropriate energy pricing and the sustainable use of natural resources are also key to a market economy. Advisors are working to improve pricing policies and to introduce new energy-efficient technologies. They have trained more than 20 local private companies in Bulgaria, Hungary, and Romania in energy efficiency business development, while demonstrating U.S. energy efficiency equipment at more than 40 plants. These demonstrations generated immediate savings

of \$16 million in energy costs from investments of \$1.2 million. Energy audits and demonstrations have improved efficiency by as much as 30 percent in urban heating systems in Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Ukraine. Use of U.S. equipment costing \$1 million resulted in an estimated annual savings of \$14 million in these systems.

Savings from environmental assistance are also considerable. Through waste minimization programs, participating industries have saved more than \$17 million from waste recycling, resource conservation, and reduction in payments for pollution fees and fines. Five cities in Poland have saved more than \$2 million by redesigning new wastewater treatment plants. Private consultants trained by USAID are now being contracted by other cities to design similar solutions for their wastewater treatment plants. Plant managers who participated in the industrial waste minimization program are marketing new technologies to their peers throughout the region.

Lasting improvements in the region's environment will also be achieved from policy changes directly resulting from USAID assistance. To date, these include environmental impact assessment laws in the Czech Republic and Slovakia, an auto fuel tax to reduce carbon monoxide emissions in Budapest, and appropriate increases in environmental fees and user charges in Poland.

Democracy

USAID has helped countries hold credible and effective elections across the region. We have learned, however, that free elections by themselves do not guarantee that political reform will continue. Successful democratic change results from an array of reforms to strengthen democratic processes, including the rule of law, autonomous local government, and a strong civil society, including an independent media. Our ENI democracy pro-

grams have achieved significant results in each area.

With USAID help, many parliaments in the region have enacted critical political reforms, including new election laws that help ensure fair and democratic elections. Hungary, the Kyrgyz Republic, and Russia have adopted new constitutions, and elections and civil liberties laws. Advisors helped draft provisions of Russia's new civil code that guarantee freedom of contract and protection of private property, laying the foundation for development of new commercial laws needed for a market-based economy.

Pluralistic democratic non-governmental organizations were virtually non-existent under communism. By helping to establish a legal basis for creating non-governmental organizations, USAID has enabled NGOs to flourish across the region. Other activities that have increased the participation of citizens and NGOs in the life of their communities and nations include strengthening local NGO capacity, legal assistance, education reforms, and support to youth, human rights, environmental, business, media, civic, and charitable womens' groups.

“By helping to establish a legal basis for creating non-governmental organizations, USAID has enabled NGOs to flourish across the region.”

Judicial systems in Kazakhstan, Russia, and Ukraine, and most of Central and Eastern Europe, have become more professional, independent, and better equipped to resolve private property and criminal justice issues. U.S. assistance is also facilitating decentralization and increased accountability of governments. For example, municipal officials in Bulgaria, the Czech Republic, Poland, Romania, and Russia received training in financial management and provision of urban services.

Social Sector Restructuring

The transition to market-based economies is threatened by legacies of the past.

Bankruptcy and eventual collapse of the previous system have resulted in massive, unpredictable changes in people's lives because of high inflation, unemployment, and reduction of state-subsidized social services. Public support for reform requires that people believe their current hardships will be addressed by moving to a market economy. Thus, USAID has supported a mix of activities and policies in the social sector.

We have provided immediate help to ease hunger, winter cold, and other hardships in strife-torn republics. We have coordinated with the U.S. Department of Agriculture to supply essential food products to more than two million people. Epidemics of measles and other diseases have been prevented by vaccinating more than 500,000 children in Central Asia.

Thirty-one partnerships between U.S. hospitals and health facilities in ENI countries have transferred medical skills and Western management practices, improving productivity. Women's access to modern reproductive health services has been increased in the Central Asian republics. Environmental health threats at specific sites have been significantly reduced through USAID assistance.

USAID also is encouraging ENI governments to introduce private sector management practices to social services. Results of housing reforms in Russia and Hungary already show that increased revenues from higher rents more than cover the cost of increased housing allowances for the neediest.

Learning from Experience

Key lessons from our programs in the ENI region include:

- USAID learned early in the ENI program that the high costs of assisting with reforms made it important to use our funds to leverage financing available from other donors. This approach has been particularly successful in private sector development, environment, energy, and humanitarian assistance.
- If the quality of life of citizens improves in line with their expectations, political changes are more likely to be sustained.
- No single aspect of democracy programming can guarantee the success or sustainability of democratic transitions. Integrated approaches that simultaneously address the political, social, and economic dimensions of change are essential to sustaining progress toward vast systemic change. U.S. assistance must be shaped and sequenced to help build constituencies for sustaining economic and political reforms.
- Much of USAID's assistance to the private sector has been directed at individual firms. In order to increase the impact of this assistance, we need to extract the broader lessons from our activities and make them available more widely through training centers, business associations, and banks.
- In the environment and energy areas in particular, scarce assistance resources should target high-profile "hot spots" to ensure that results are seen and replicated.

Challenges for the Next Year

USAID has made significant progress, particularly in the last year, in focusing on results. Substantial effort and resources have already been invested, but more is required. USAID must be able to report its results more comprehensively and conclusively, to have a better idea of why and under what circumstances certain approaches work best, to make performance information available more quickly and easily to all managers, and to do this without major new expenditures on management systems. Our agenda for moving along this path in 1995 includes:

- Building on 4 years of experience with Mission strategic planning and the sustainable development strategies developed last year, we will prepare an Agency-wide results framework. It will include performance indicators to assess the results of our development work more uniformly and process indicators to track our internal progress in managing for results.
- Choosing accurate, inexpensive, and easily used performance indicators, at both the operating unit and Agency level, is a complex, analytically difficult task. It will undoubtedly require various iterations as we learn from experience. We will give increased attention to identifying good indicators in 1995, especially for democracy and environment programs.
- USAID will complete development and begin installation of a corporate information system. Among other things, it will include indicators and targets from all strategic plans and the most current information on progress toward these targets. When complete, the system will reduce formal reporting requirements, increase our ability to analyze and report on program performance, allow managers to make decisions better informed by the progress of their activities and lessons of experience, and permit broader, quicker dissemination of results.
- With another year of measuring progress toward strategic and intermediate objectives, and clear guidance from headquarters on performance indicators that are best for measuring Agency-wide success, USAID will be better able to identify programs and approaches that are more, and less, successful in achieving their targets. This will let us concentrate on the most effective programs and learn from experience with them. This will require Missions and bureaus to devote greater analytical and technical resources to performance measurement and evaluation.

Appendix: Countries included in the Annual Performance Report

Sustainable Development Countries

Africa

Benin
Burundi
Ethiopia
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Madagascar
Malawi
Mali
Mozambique
Namibia
Niger
Nigeria
Senegal
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia and the Near East

Bangladesh
Egypt
India
Indonesia
Jordan
Morocco
Nepal
Philippines
Sri Lanka

Latin America & the Caribbean

Bolivia
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Honduras
Jamaica
Nicaragua
Paraguay
Peru

Europe & New Independent States

Europe

Albania
Bosnia
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Macedonia
Poland
Romania
Slovakia
Slovenia

NIS

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyz Republic
Moldova
Russia
Tajikistan
Turkmenistan
Ukraine
Uzbekistan



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

The Honorable Dan Burton
House of Representatives
Washington, D.C. 20515

Dear Congressman Burton:

Thank you for your letter of October 28, 1993, concerning FY 1994 foreign assistance appropriations and assistance to India.

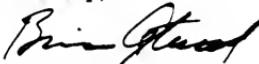
I share your concern regarding human rights issues in India, and I assure you that the Administration raises these issues regularly in high-level discussions with Indian Government officials.

Given current budget constraints, cuts are being made to a number of USAID programs worldwide -- possibly including India. However, a reduction in USAID assistance to India would not, in my opinion, by itself achieve our shared goal of improving the human rights situation in India.

India's economic reform program presents unprecedented opportunities for USAID to assist India in its efforts to become a prosperous, outward-looking country capable of meeting the basic human needs of its large population. Eighty-five percent of the USAID program in India is implemented through non-governmental organizations. Through these organizations, we reach the poorest of the poor, often neglected castes and tribes, by providing food, nutrition education, basic health services, family planning services, and AIDS prevention and control services. These USAID programs are vital in a country where 230 million people are living below the abject poverty line; 3.84 million children die every year before reaching age 5; 50 percent of children under age 5 are malnourished; over 80 percent of pregnant/lactating mothers suffer from anemia; 48 percent of the adult population is illiterate; and 1 million persons are estimated to be infected with HIV/AIDS.

If I can provide you with further information, please let me know.

Sincerely,


J. Brian Atwood

320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523 • PHONE: (202) 647-9620 • FAX: (202) 647-1770

Responses by Under Secretary Richard Moose
to Questions submitted for the record for
hearing on April 4, 1995

1. Is it true, as ACDA says, that the State Department opposed or opposes the NPT?

Answer:

Securing the permanent extension of the Non-Proliferation Treaty has been a central component of the Clinton Administration's non-proliferation policy since the beginning of this Administration. Secretary Christopher has identified non-proliferation as one of State's critical priorities. As he noted in testimony before Congress earlier this year, the centerpiece of our non-proliferation strategy was to obtain the indefinite and unconditional extension of the NPT. State, along with all other Executive Branch agencies, worked laboriously to extend and strengthen the NPT. Obtaining the Treaty's extension required the support of many agencies, but its success could not have occurred without the intense involvement and support of the State Department, particularly by our diplomats in capitals who were instrumental in securing high-level political support for the Treaty's extension worldwide.

UNCLASSIFIED

2. Did State fail to plan for the 1995 NPT Extension and Review Conference, as ACDA told GAO?

Answer:

The Department of State identified the extension of the NPT early in this Administration as one of the critical components of our overall non-proliferation and arms control policies. State actively participated in every NPT Review Conference since 1975, started last year in planning for the NPT Review and Extension Conference, worked with ACDA and others in the interagency to develop a strategy for securing the Treaty's extension, and through the INR bureau, initiated the first interagency assessment of the Treaty's extension prospects.

State leadership was critical over the past year in designing, implementing and convincing our allies to pursue a strategy of "50 percent plus 1" on the extension decision, an approach instrumental in securing the Treaty's extension. From the Secretary to every regional and relevant functional bureau, State policymakers and diplomats worldwide worked assiduously and tirelessly to secure the Treaty's extension. State negotiators worked especially hard in the final week of the Conference in New York, Washington and capitals to lobby key countries that threatened to disrupt the emerging consensus for extension.

UNCLASSIFIED

ACDA did an excellent job in coordinating the interagency group responsible for securing the Treaty's extension, diligently traveled to capitals to lobby for the Treaty's extension, and lead an effective and disciplined delegation at the actual Review and Extension Conference. We would hope and expect that ACDA as the lead agency in implementing arms control treaties and as the head of past U.S. delegations to review Conferences would develop the initial strategy for securing the Treaty's extension. But the U.S. would not have succeeded in obtaining the Treaty's extension without the initiative and involvement of the State Department.

Finally, we assume that ACDA's comments were either not authoritative or its view has changed over time given that the ACDA Director complimented Secretary Christopher for State's involvement in the NPT process even before the final outcome was known.

UNCLASSIFIED

Q: According to one ACDA official interview with GAO, for years only ACDA pressed for the Chemical Weapons Convention (CWC). ACDA has encountered disagreements with other agencies over this issue, but they understand that presenting its view is what ACDA is supposed to do.

-- Was State in disagreement with ACDA over the need for the CWC?

The Department recognized early the importance of chemical weapons (CW) arms control. State's commitment continued throughout the negotiations for the CWC text, during subsequent initiatives to encourage signature, and continues in our present efforts to promote the CWC goal of universal adherence.

Leadership by former Secretaries of State resulted in initiatives to revive the U.S./Soviet bilateral CW process and the multilateral CW arms control agenda. Following State Department proposals, two international conferences were held in 1989, resulting in the affirmation of support for the 1925 Geneva Protocol (Paris Conference) and endorsing efforts for a global CW ban (Australia Government/Industry Conference). State Department leadership invigorated U.S./Soviet bilateral CW negotiations, culminating in two CW accords: the 1989 Wyoming Memorandum of Understanding and the 1990 Bilateral Destruction Agreement.

The Department has frequently been instrumental in brokering disagreements within the interagency, and in resolving important negotiating positions such as those for challenge inspections.

Although the chair of the interagency group for the CWC moved from State to ACDA, the State Department remained actively involved in developing USG negotiating guidance. State also demonstrated the importance of the CWC in bilateral political-military talks with key allied countries, various ministerial meetings and in senior representations to foreign governments. Throughout the CWC negotiations, the Department had a permanent senior advisor on the staff of the Ambassador to the Conference on Disarmament (CD) and augmented this with representatives on a TDY basis. After completion of the Convention text in September 1992, State directed diplomatic efforts to obtain as many CWC signatures as possible to match this objective. State and ACDA positions have usually meshed, differing sometimes only in degree about the best method to accomplish the mutual goal of a global chemical weapons ban.

4. Q: ACDA asserted to the GAO that it advised past Presidents that it was inaccurate to certify Pakistan did not possess a nuclear explosive device (under the requirements of the 1985 "Pressler Amendment"). It is our understanding that factual assessment was also actually the mission of the CIA.

- Is it true that ACDA "stood alone" on the Pakistani bomb issue or did the CIA also have a strong role?
- Even under the Helms reorganization plan, is there any evidence that the CIA's role in this matter would be diminished.

A: No Executive Branch agency advised the President against certification. Although officials of ACDA and other agencies raised various issues during the drafting process, at the end no agency formally dissented from the consensus for certification. The intelligence community, including the CIA, provided factual assessments as part of the broader certification package in support of the policy-making agencies like ACDA and State. It did not have a policy position for or against certification. There is no evidence that the CIA's role in this matter would be diminished even under the Helms reorganization plan.

5.Q: In October 1990, President Bush could not certify that Pakistan did not have a nuclear weapons device and military aid was cut off. Despite ACDA's portrayal of its role, a State Department official told GAO that unanimous recommendations for certification always went to the President.

- How do State and ACDA reconcile these contrasting positions?

A: Our documentation is consistent with the understanding that no Executive Branch agency advised the President against certification. No recommendation was prepared for 1990. Although officials of ACDA and other USG agencies raised various issues during the drafting process, at the end no agency formally dissented from the consensus for certification.

Question:

6. ACDA officials said that the Cobra Dane radar in Alaska is essential for START verification purposes. Other agencies, particularly intelligence organizations, did not recognize the radar's importance for arms control or were not willing to maintain it in their budgets for that purpose, as it was not part of their mission requirements. Without ACDA, the radar would have been zeroed out and shut down. One U.S. government official said that there had been no State Department position on this issue.

Do other U.S. agencies share ACDA's view on the importance of the Cobra Dane radar for arms control treaty verification purposes?

Answer:

-- We are aware that ACDA, DoD, and the intelligence community have made arrangements concerning the continued funding and operation of the Cobra Dane radar. We are unaware of any "polling" of other U.S. government agencies on this matter.

-- State believes that the U.S. needs to be especially mindful of the broad implications of cutting programs that are used to monitor arms control agreements. At the same time, we appreciate that in the aftermath of the Cold War U.S. intelligence priorities are broadening as resources shrink and that the existing level of arms control intelligence collection may not be sustainable.

-- The U.S. needs to manage very carefully, therefore, any changes in the funding of monitoring assets to ensure that remaining assets continue to provide effective verification.

7. ACDA told GAO it is currently working on a ban on medium-range missiles. ACDA claimed to be the lone voice for this ban. Is this true that if ACDA is incorporated into State, there would be no effort within the U.S. government to control theater missiles?

Answer: (Security deletion)

Question:

8. According to the State Department interview with GAO, ACDA drafted the Conventional Forces in Europe ("CFE") Treaty, which was signed in November 1990. However, there was a continued dispute between the USSR and United States over whether Soviet naval infantry were included; the Soviets said they were not. In sidebar negotiations with the USSR to settle the issue, the U.S. succeeded in bringing the naval infantry into the CFE. At that time the State Department argued at the working level that this issue should be an additional obligation noted in a political statement of intent and not legally binding on the Soviets. ACDA said that inclusion of the infantry should be legally binding. Reportedly both the U.S. negotiator, James Woolsey, and the ACDA Director, Ron Lehman, spoke with Secretary of State Baker to emphasize that the item should be legally binding. In the spring of 1991 the Soviet Chief of the General Staff was visiting Washington. The first thing that the President said to the Soviet officer on meeting with him was that this agreement on the naval infantry and should be legally binding. The Soviets eventually agreed to this.

- How significant was the issue of including the Soviet naval infantry under the CFE Treaty?
- What was the rationale for insisting that an agreement on this point be legally binding as opposed to being contained in a political statement of intent?

Answer:

- Of all 22 original CFE signatories, only the Soviet Union argued that armor and artillery located in naval infantry and coastal defense (NI/CD) units were not covered by the CFE Treaty. The significance of this dispute did not lie only in the amount of equipment immediately involved. Rather, the U.S. and NATO Allies considered that the Soviet position was at odds with Article III, the main counting rule of the Treaty.
 - o Article III says that with certain enumerated exceptions, all tanks, artillery, armored combat vehicles, combat aircraft and attack helicopters that are located in the CFE Treaty area are limited by the Treaty. The Soviet interpretation of Article III would have made it possible to locate equipment in excess of the levels permitted by the Treaty within the Treaty area, provided the equipment was in certain types of military units (NI/CD units).
- Several concepts were discussed for resolving the Article III dispute. The approach which was eventually used was the idea of a side agreement that would not be an amendment to the Treaty, but which would contain additional legally binding undertakings. The rationale for insisting that such a side agreement be legally binding was that its provisions would affect the operation of the Treaty; thus it should have the same force and effect as the Treaty itself.

9. How does State ensure that there is not unnecessary duplication between the personnel handling arms control and nonproliferation issues?

Answer:

There is only minimal duplication of effort between State and ACDA personnel working on arms control and non-proliferation.

In general, where State and ACDA have overlapping historical and statutory obligations for diplomacy and arms control, responsibilities are delineated by assigning lead responsibility for an issue or negotiation to one agency. This practice minimizes any duplication of effort while allowing the valuable consideration of differing perspectives.

However, we are not relying only on this practice. Information submitted by both agencies to the NPR is being reviewed with the goal of eliminating specific instances of duplication.

10. If ACDA functions had been consolidated into State, pursuant to the Secretary of State's proposal to the National Performance Review, how were ACDA's functions to have been distributed in State? How could State have determined this distribution if State officials do not know which bureaus and personnel are primarily responsible for arms control and nonproliferation issues?

Answer:

First, I wish to reiterate that the Secretary made no such specific recommendation to the NPR.

The Administration is committed to maintaining an effective and independent Arms Control and Disarmament Agency (ACDA).

There are no plans in development to determine how to distribute ACDA's functions within State.

12. If a consolidation of ACDA's functions and personnel in State were to be legislated to include a total personnel ceiling on the Political/Military Affairs Bureau, how would this impact PM's other functions and staffing needs?

Answer:

We oppose any effort to consolidate ACDA's functions and personnel into the Department of State. If consolidation is imposed and a personnel ceiling set for these functions, it would seriously damage the State Department's ability to shift personnel resources and expertise to address changing priorities and respond to emerging issues and crises.

To achieve its foreign policy objectives, the Department of State must maintain, in accordance with statute and practice, its authority to set and, if necessary, shift personnel resources within and among its Bureaus.

13. State's 1993 consolidation proposal commented on the need for a concerted effort to explain State's reorganization and why merging ACDA would enhance arms control and non-proliferation objectives. It also suggested that incorporating ACDA into State would require explanation to foreign partners, who might otherwise see it as a retreat from strong support for non-proliferation.

- Has State queried foreign partners to assess how serious a problem this might be?
- What steps would State anticipate taking to assure that key nonproliferation policy goals, such as accession to and implementation of the Chemical Weapons Convention, with which ACDA is strongly identified, were not undermined by ACDA's removal.

Answer:

The Department of State neither advocates consolidation of ACDA, nor has it approached foreign governments to assess their reaction to such a proposal.

Among its many nonproliferation objectives, State is committed to working in partnership with ACDA to assure accession and implementation of the Chemical Weapons Convention. ACDA has taken a very important role in this process and will receive the active cooperation of the Department of State throughout.

14. The majority of effort for arms control and nonproliferation in the State Department is currently centered in the Bureau of Political and Military Affairs ("PM"). The Bureau's entire estimated Fiscal Year ("FY") 1995 budget is \$24.2 million. This bureau is also involved in other activities such as international security and peacekeeping, defense relations, and security assistance and burdensharing. In addition, the European Bureau and numerous regional bureaus sometimes are involved with arms control and nonproliferation issues. The State Department is not able to estimate what percentage of these bureaus' budgets are spent on these issues. ACDA's budget request for FY95 was \$54.4 million. Since ACDA's FY95 budget is roughly twice as much as State's, if the consolidation occurs, it appears that an increase in the State Department's budget will be necessary as ACDA's drops to zero.

- Has the State Department estimated how much of a budget increase it would need if it were to assume ACDA's functions? If so, what is the estimate based on?
- What activities within State would be affected as a result of a budget increase in the Bureau of Political-Military Affairs?

Answer:

We do not advocate consolidation of ACDA's functions into State and believe it would be harmful to the nation's interests. The Department currently is not conducting an analysis of the budgetary implications of such a plan.

In past years, illustrative estimates of the programmatic impact of consolidation were made as part of an internal administration review of the future of ACDA. Given significant changes in our arms control and nonproliferation environment, these past estimates do not reflect current program or personnel realities and, as a result, do not provide a useful base line for estimating hypothetical future requirements. Therefore, we cannot now estimate how much of a budget increase would be needed to assume ACDA's functions or the impact of such a budget increase on the PM Bureau.

15. ACDA indicated that since its creation it has been involved in a total of 53 arms control and non-proliferation missions concerning negotiations. Of these efforts, ACDA has been the lead agency in 23 missions, State or another agency has been the lead agency in 23, and ACDA has shared the lead with another agency (usually State) in 7. ACDA currently is involved in 28 open-ended missions, of which it is the lead agency on 13 and shares the lead on 1, while another agency is the lead agency for 14. These include such missions as negotiations for a Comprehensive Test Ban Treaty, negotiations in the multilateral Conference on Disarmament, planning for a Conventional Forces in Europe review conference, and planning for a START III agreement.

- Given that ACDA historically has been the lead agency for about half of the ongoing arms control and nonproliferation missions, how will the distribution for leadership on these missions be impacted by consolidating ACDA into the State Department?
- What levels of the ACDA work force would need to be transferred to State to ensure continuity in performing these missions?
- Does State currently possess the staffing levels and expertise necessary to perform these missions?

Answer:

State does not currently possess the personnel or program resources necessary to assume responsibility for each of the arms control efforts led currently by ACDA. We have not estimated precisely what resources would be necessary to adequately staff these functions. As mentioned previously, we believe such a mandated consolidation would deliver worse outcomes for the U.S. when compared to the option of enhanced team work between streamlined and reinvented agencies working under the foreign policy guidance of the Secretary of State.

ELIMINATION OF EXCHANGE PROGRAM DUPLICATION

Q: IF USIA OR STATE WERE RESPONSIBLE FOR OVERSEEING THE GOVERNMENT'S EXCHANGE PROGRAMS, TO WHAT EXTENT COULD ADMINISTRATIVE OR PROGRAM DUPLICATION BE ELIMINATED?

WHAT ADDITIONAL AUTHORITY WOULD USIA OR ANOTHER ORGANIZATION NEED TO TAKE A MORE ACTIVE ROLE IN CONTROLLING DUPLICATION?

WHAT FORM SHOULD THIS ROLE TAKE (ACTUAL ADMINISTRATION OF THE PROGRAMS VS. OVERSIGHT TO IDENTIFY POTENTIAL DUPLICATION)?

A: USIA estimates that about one-third of the exchanges and training programs conducted by the U.S. government share similar objectives and are at least potentially duplicative. Funding related to these programs is estimated at about \$400 million. If USIA were made responsible for overseeing the government's exchanges and training programs, with a mandate to determine where and how these programs can best be managed, duplication could be largely eliminated among this one-third of exchange and training and training programs with similar objectives.

Reducing and controlling duplication in U.S. government international exchanges and training would require improved coordination mechanisms to carry out the coordination function currently assigned to USIA. Better coordination of exchange and training programs throughout the U.S. Government is currently being studied by the National Performance Review. Pending the results of that review, we believe a structure is required to bring federal agencies together for coordination and analysis of U.S. Government funded international exchange and training programs. At the heart of this structure would be a working level interagency staff to provide the planning and coordination necessary to ensure that exchanges are consistent with U.S. foreign policy and national security interests and, to the extent possible, to avoid duplication. This staff would also be responsible for the collection, analysis and distribution of exchange program information.

SHARED ADMINISTRATIVE SERVICES

Q: TO WHAT EXTENT DOES USIA USE STATE DEPARTMENT TELECOMMUNICATIONS SYSTEMS TO SUPPORT ITS REQUIREMENTS?

A: USIA is dependent upon the State Department's Diplomatic Telecommunications System for the transmission of official cables.

In addition, USIA has a substantial and growing dependence upon the new State Department Black Packet Switch BPS/X.25 telecommunications network for data transmission, electronic mail and remote processing. This system is being implemented under the auspices of the Diplomatic Telecommunications System - Program Office (DTS-PO). Presently, 40 USIS posts have access to the BPS/X.25 network with posts being added at the rate of four to five per month. When the BPS/X.25 network is fully implemented, USIA anticipates that all USIS posts will have access to the network. Future USIA use of the BPS/X.25 network is contingent upon its ability to adequately support the data transmission needs of USIA. We have increasing serious concerns about the performance and reliability of the current DTS-PO BPS/X.25 network; and concerns that the bandwidth installed in current and projected installations will not support our needs.

SHARED COMMUNICATIONS SYSTEM

Q: COULD/SHOULD A COMMON TELECOMMUNICATIONS SYSTEM SUPPORT ALL THE FOREIGN AFFAIRS AGENCIES IN THEIR COMMUNICATIONS WITH OVERSEAS POSTS?

A: Yes. There are obvious advantages of pooling requirements to drive down costs. But just as importantly, we should be working toward a totally integrated communications environment at overseas missions that easily facilitates interagency work within an embassy.

At the same time, we believe that there should be two distinct and separate networks: classified and unclassified. It is increasingly clear that it is not cost-effective to merge the two networks. USIA believes the classified network should be supplied to all foreign affairs agencies by a common provider. And, USIA is willing to accept unclassified service from a common unclassified system if it can meet our operational requirements.

When a common system cannot meet those needs, or is not cost-effective, USIA should be given the flexibility and resources to implement its own unclassified network, or go to another government provider (e.g. DOD). USIA's unclassified communications requirements puts it ahead of many of the other foreign affairs agencies in seeking cost-effective state-of-the-art telecommunications links (e.g., for connecting our Local Area Networks into a virtual worldwide wide area network, video conferencing, multi-media, etc.). These requirements are central to USIA's mission. Because of this, and given the necessary resources, USIA would be willing to take the lead in developing sources for unclassified telecommunication services to the entire diplomatic community.

USIA SUGGESTIONS ON TELECOMMUNICATIONS SYSTEMS

Q: IF CURRENT STATE DEPARTMENT SYSTEMS DO NOT MEET USIA'S NEEDS, HOW DOES USIA SUGGEST THAT THE SYSTEMS BE CHANGED?

A: We have serious concerns about the performance and reliability of the current telecommunications network for data transmission, electronic mail and remote processing (DTS-PO BPS/X.25 network); and concerns that the bandwidth installed in current and projected installations will not support our needs.

DTS-PO claims that current resources will not allow them to offer expanded services free, and they expect the customer agencies to cover the additional costs. For example, DTS-PO has told us that it will cost USIA on average an additional \$100,000 annually per site to expand the bandwidth to our desired requirement (i.e., 64Kb). Projected worldwide to all USIS sites, that would total more than \$20 million annually. In USIA's current budget situation, it would be impossible for us to cover those kinds of costs from our limited resources. If there is to be a common service provider for the foreign affairs community, that organization should be fully funded to provide the necessary services.

However, we believe that there are other technical solutions available that would provide expanded service at the same or even lower costs. The global telecommunications market is changing very rapidly. New technologies are developing quickly, and costs are dropping. As a result, several months ago we initiated a preliminary analytical study of the availability of alternate sources of service and costs to meet USIA's current and future data telecommunications requirements. Although the study is not complete yet, early results look promising. They appear to confirm our initial hypothesis that these types of services are available from the commercial arena at substantially lower cost than projected by DTS-PO. We plan to complete the study in the next few weeks, and then discuss our findings with DTS-PO and colleagues on the other foreign affairs agencies.

UNCLASSIFIED COMMUNICATIONS

Q: SHOULD THE GOVERNMENT OPERATE ITS OWN TELECOMMUNICATIONS NETWORKS FOR UNCLASSIFIED COMMUNICATIONS, AND IF NOT, WHY? TO WHAT EXTENT CAN NETWORKS BE PRIVATIZED?

A: USIA does not have a preference between government owned/operated and privatized service. (NOTE: This assumes privatized means owned, operated and maintained by the private sector.) USIA's concern is that adequate resources are available to accomplish its mission. Most of DTS-PO's circuits currently are provided by private vendors.

It may make sense to explore the feasibility of awarding an umbrella contract to one vendor covering design, implementation, and management of a consolidated network. Competition may drive the costs down, and if the vendor knows he will have to recompete on a regular basis there would be motivation to maintain quality service. Such a contract should have strong incentives to keep current with advances in technology.

PRIVATE VENDOR FOR UNCLASSIFIED COMMUNICATIONS

Q: TO WHAT EXTENT CAN/SHOULD THE STATE DEPARTMENT MEET THE OVERSEAS SYSTEM? TO WHAT EXTENT CAN/SHOULD UNCLASSIFIED COMMUNICATIONS SERVICE BE PROVIDED BY A PRIVATE VENDOR (COMMON CARRIER)?

A: USIA recognizes the State Department's past and current role as a major provider of telecommunications services in the diplomatic community. USIA anticipates a continuation of this relationship only if State can provide a dynamic and flexible environment that can accommodate USIA's ever changing and increasing requirements. If State is unable to fulfill these requirements, the function should be shifted directly to USIA or an appropriate source(s) that can adequately perform the task.

PRIVATE VENDOR FOR UNCLASSIFIED TELECOMMUNICATIONS

Q: THE STATE DEPARTMENT CURRENTLY OPERATES ITS OWN TELECOMMUNICATION SYSTEM. TO WHAT EXTENT CAN/SHOULD UNCLASSIFIED COMMUNICATIONS SERVICE BE PROVIDED BY A PRIVATE VENDOR (COMMON CARRIER)?

A: A telecommunications framework provided by a private vendor might provide increased flexibility and functionality. This framework could be provided under a contract(s) overseen by USIA, the State Department or DTS-PO. A study of currently available commercial offerings should be performed to determine the feasibility of migration to a private vendor(s) for the entire diplomatic community. USIA is performing an initial study that preliminarily indicates further analysis is merited but these services are available from the private sector at lower costs and with more flexibility.

BUDGET REDUCTIONS AND REINVENTION EFFORTS

Q: USIA REPORTS THAT IT REPRESENTS SIX PERCENT OF THE INTERNATIONAL AFFAIRS BUDGET FUNCTION 150 ACCOUNT AND ACCOUNTS FOR 58 PERCENT OF THE NATIONAL PERFORMANCE REVIEW (NPR) SAVINGS ACHIEVED TO DATE. THE AGENCY REQUESTED AN FY96 BUDGET REDUCTION OF \$121 MILLION. THESE FIGURES MAY BE MISLEADING BECAUSE USIA'S FY95 BUDGET INCLUDED LARGE ONE-TIME COSTS TO SHUT DOWN MUNICH OPERATIONS OF RADIO FREE EUROPE/RADIO LIBERTY AND CONSOLIDATE MANY OF THEIR FUNCTIONS WITH THE VOICE OF AMERICA.

AFTER DEDUCTING SAVINGS RESULTING FROM ONE-TIME ACTIVITIES RELATING TO THE CONSOLIDATION/MOVE OF THE RADIOS, WHAT ARE USIA'S FY96 BUDGET REDUCTIONS FROM FY95? PLEASE PROVIDE SPECIFICS ON USIA'S REINVENTION EFFORTS AND WHAT FURTHER SAVINGS WILL RESULT IN THE NEAR FUTURE.

A: In 1995, the costs of consolidating and downsizing the Voice of America and Radio Free Europe/Radio Liberty staffs, programs and technical facilities and of relocating RFE/RL from Munich to Prague, will total \$100 million. After deducting these 1995 one-time costs, the net change from 1995 to 1996 is about \$21 million. This results from 1996 **program reductions totaling \$91.1 million** which are offset, in part, by operating cost increases of \$52.4 million to continue throughout 1996 the reduced program levels of all USIA activities established in 1995 and 1996 and proposed increases of \$17.6 million to expand Fulbright academic exchanges (\$7.5 million) and to establish a separate Technology Fund account (\$10.0 million).

1996 program cuts: In 1996, additional program cuts totaling \$91.1 million will be implemented. These cuts will affect most USIA activities and accounts as follows:

- o Broadcasting activities will be cut by \$43.5 million to complete the consolidation and other deficit reduction efforts. This cut will be applied as follows: BIB-BBG/VOA/WORLDNET/Engineering/Other, \$9.3 million; Broadcasting to Cuba, \$1.0 million; and Radio Free Europe/Radio Liberty, \$33.2 million.
- o All other USIA accounts will be cut by \$47.6 million. These cuts will be applied to Salaries and Expenses (\$14.6 million and 186 positions) to continue USIA's restructuring and downsizing of domestic support activities, principally the streamlining, delayering, and re-engineering of administrative costs and services in the Bureau of Management and at our overseas posts; Exchanges base and earmark programs (\$23.7 million); in

the annual support provided to the East-West Center (\$5.1 million) and the North/South Center (\$3.0 million); and cuts in NED and other accounts (\$1.2 million).

Reinvention Efforts: Over the past three years, USIA has been at the forefront of the reinvention effort. To deliver the reductions required by budgets for FY 1995 and the outyears, the Agency determined to follow a multi-year strategy for rational downsizing and specific analytic criteria rather than past practice of making across-the-board cuts. In FY 1995, the Agency focused on restructuring domestic program support, particularly for information and broadcasting. In both FY 1996 and FY 1997, the Agency is focusing on streamlining management and administrative services at headquarters and at our United States Information Service (USIS) posts overseas; savings will be realized through downsizing, technology modernization, and strategic alliances for services with other agencies. We also plan to concentrate on restructuring the offices which manage our exchange programs. Thus, USIA is continuing to reengineer all of its structures and processes to work better and cost less.

Specific Agency actions:

- We achieved a key NPR goal by consolidating all USG international broadcasting activities and worked together with Congress to achieve passage of the 1994 International Broadcasting Act. Our implementation plan, which the President transmitted to the 104th Congress, retains the individual program strengths of the Voice of America and Radio Free Europe/Radio Liberty and generates savings of over \$400 million over the four-year period 1994-1997. This is not a one-time phenomenon but a structural change: our 1996 operating level of \$395 million represents a reduction of \$92 million, or 19%, from the 1994 level of \$487 million.
 - VOA direct broadcasts (shortwave and medium wave) to Eastern Europe, the former Soviet Union and Afghanistan and RFE/RL shortwave broadcasts to Eastern Europe and the former Soviet Union are being reduced by 32 percent, from 1,046 hours weekly to 711.5 hours.
 - The consolidated IBB engineering network will produce annual operating savings of \$30 million by the end of FY 1996.
 - By the end of FY 1995 RFE/RL will have reduced its annual operating costs from \$177 million to the Congressionally-mandated ceiling of \$75 million.

-- A total of 1,268 positions are being eliminated, including 354 VOA positions and 914 RFE/RL positions.

- o Early in October 1993, we launched a major restructuring of our program support for the field posts. We dismantled the Bureau of Policy and Programs and completely closed down activities such as the production of magazines and exhibits which were no longer deemed the most effective means of reaching foreign decisionmakers. We created a Bureau of Information thirty percent smaller than the elements it replaced and radically different in conception. The new I Bureau, which was formally constituted last October and is now designated an NPR Reinvention Laboratory, serves as our model of a de-layered, team-managed, customer-oriented, innovative, and flexible organization. It will maximize the use of advanced information technologies to reach increasingly sophisticated audiences abroad. Its achievements have already been recognized by the Vice President with a Hammer Award.

This restructuring and other reductions implemented in 1995 will produce savings of \$16.9 million in 1996 and each year thereafter.

- o We re-thought the way we operate in the field to adapt to changing information environments and fiscal realities. We analyzed the deployment of our field resources in accordance with a post-Cold War calculus in which economic factors and newly democratic marketplaces of ideas are of increased importance to U.S. national security. The resulting revised Resource Allocation Group (RAG) system has given us a strategic approach to resource distribution abroad.

For FY 1996, we established RAG-based benchmarks for American and foreign staffing levels at missions abroad. Our field cuts over the next three years are being guided by these benchmarks. We are, moreover, converting public access libraries in developed countries to focused, low overhead, outreach facilities exploiting electronic technology and eliminating centers with high-cost leases in all geographic areas. We have rejected the concept of America Houses in the NIS as impractical and too costly. We are eliminating post-produced, one-country magazines. And we are joining forces with the Foreign Commercial Service in countries such as Germany to serve as a more effective catalyst for U. S. communities seeking to expand international commercial and educational ties.

- As a global information agency in the information age, we recognized the need to compete for the attention of decisionmakers and influential publics abroad. To make the kind of investment in technology which will keep us on the cutting edge, we propose to establish a Technology Modernization Fund. With this account, to be funded with savings from staff and program reductions and from technology funds shifted from the Salaries and Expenses account, we will be able to plan for and purchase technology in a more rational way. To exercise the new authority most effectively, we have undertaken a complete reorganization of our technology planning and decisionmaking processes.
- The Bureau of Management has been charged with developing more efficient, cost-effective ways of doing business and is undertaking a comprehensive review of services. For FY 1996 we will achieve savings of over \$7 million from reengineered administrative processes and other changes throughout the Agency. We will have automated systems in place which will deliver incoming cables electronically to the desktop and give employees the capability to send outgoing cables electronically. By automating the processing of travel authorizations and vouchers and by simplifying procedures, we will reduce the burden to travelers and costs to the Agency. We will introduce electronic time and attendance. We will increase the use of credit cards for procurement by domestic offices and overseas posts. We plan to adapt the new financial management system being developed by AID, thereby avoiding duplication of effort and multiplication of cost for software development. More than 60 full-time permanent, temporary and part-time positions will be eliminated.
- As announced by the Vice President, we are currently working with the other foreign affairs agencies during the second phase of NPR to establish common administrative services, eliminate unnecessary and duplicative practices, and use the private sector and competition to cut costs further. We are also participating in the review by the President's Management Council to increase the effectiveness of the USG's overseas presence while reducing its cost. This review is focused on streamlining overseas operations, sharing administrative support for posts abroad, and making better use of information systems and communications technology.

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
Washington, D.C. 20451

MAY 5 1995

THE DIRECTOR

Dear Mr. Chairman:

Thank you for the opportunity to testify on April 4, 1995, before your Committee on International Relations on the need for an independent U.S. Arms Control and Disarmament Agency in the post-Cold War world era. Enclosed are answers to questions you submitted following the hearing as well as the edited transcript.

As you know, ACDA's mission is to strengthen U.S. national security by advocating, formulating, negotiating, implementing and verifying sound arms control and nonproliferation policies and agreements.

An independent Agency is essential to U.S. national security interests in the post-Cold War era. ACDA has one mission: the arms control and nonproliferation perspective. An independent ACDA is the best way to assure that unconflicted arms control viewpoints, which at times compete and even conflict with other foreign and national security perspectives, will be presented in the policy-making process at the highest levels of the U.S. Government.

Over the past third of a century, ACDA has developed a unique, specialized expertise needed for arms control advice, negotiations, implementations, compliance and verification -- all maintained by a core budget of \$45 million that is the same today in constant dollars as it was in 1966.

ACDA is the U.S. Government's institutional memory for all arms control activities as stipulated in the Arms Control and Nonproliferation Act of 1994. ACDA provides the historical reporting of U.S. arms control decisions, studies, negotiating records, compliance history, verification requirements and implementation activities.

The Honorable
Benjamin A. Gilman
Chairman
Committee on International Relations
U.S. House of Representatives

Additionally, ACDA also has the statutory responsibility to ensure the verification and compliance of all arms control agreements. It is responsible for developing verification requirements during arms control negotiations and ensuring compliance. ACDA serves as the arms control watchdog for verification and compliance -- assessing the performance of our arms control treaty partners and reporting our findings to Congress. Without an independent arms control agency, verification and compliance would become secondary considerations for any other foreign affairs or national security agency.

For more than 30 years, every President since Eisenhower has recognized that if the United States wants to pursue arms control, an independent, specialized, unconflicted agency is the way to do it. An independent ACDA ensures that strong arms control policy, implementation, enforcement and compliance judgements are given full voice within our government and not buried in other institutions with competing responsibilities.

As I indicated in my testimony, export controls are a case in point for having a vigorous, independent arms control and nonproliferation agency. The Congress has long been concerned with the effectiveness of U.S. and international nuclear, chemical and missile export control policies and regimes.

In the past, ACDA's role in this area was limited until a bi-partisan Congress addressed this concern specifically in the Arms Control and Nonproliferation Act of 1994, mandating an enhanced ACDA role in U.S. export control licensing and policy. In addition to nuclear-related dual-use exports, ACDA's present role encompasses missile and chemical and biological weapons nonproliferation, and broader dual-use export control policy activities. I should point out though that we do not always persuade a majority; nor do we have a veto. However, ACDA's independent status does ensure that arms control and nonproliferation concerns receive due consideration in the arms control and technology export policy deliberations at the highest levels of the U.S. Government.

ACDA's missions have grown considerably while its core budget has remained the same in nominal dollars over the past 5 years. As a result, our core budget request for FY 96 is 10% less than our FY 93 appropriation. ACDA remains small and lean as our mission continues to grow. As a result, we remain firmly opposed to the merger and elimination provisions of H.R. 1561.

I look forward to working closely with you on the crucial and important arms control and nonproliferation issues challenging us during the 104th Congress. If you have any further questions, please do not hesitate to contact me.

Sincerely,



John D. Holm

Q1. ACDA's report on compliance agreements is the only exercise that looks at how well countries comply with their arms control agreements, according to ACDA officials. According to DOD officials, DOD contributes the majority of the collection and technical support for verification efforts.

-- How does ACDA coordinate with, and prevent against duplication of DoD's effort for ensuring that the United States complies with its arms control commitments?

A1. Section 51 of the ACDA Act mandates, as part of the ACDA Annual Report, that ACDA address questions of U.S. compliance with its arms control obligations. The compliance portions of the ACDA Annual Report, including the U.S. compliance sections, are coordinated through an interagency group, the Verification and Compliance Analysis Working Group (VCAWG). The VCAWG is chaired by the ACDA Bureau of Intelligence, Verification, and Information Support, and includes representatives from DOD and other relevant national security agencies. ACDA does not duplicate the internal DOD process (described in previous and forthcoming ACDA Annual Reports), but rather addresses, in coordination with DoD and other agencies, questions of U.S. compliance as required by law. Consistent with the law's purposes, the internal DoD process and the ACDA report on compliance with arms control agreements provides Congress, the rest of the USG, and our international treaty partners with a higher degree of confidence that the United States has and will continue to set the highest standard of practicing scrupulous compliance with arms control obligations.

Q2. ACDA's staffing pattern as of April 1, 1995 includes 38 GS-15s, 33 GS-14s, 29 GS-13s, 24 GS-12s and 10 GS-11s, for a total of 134 FTEs out of 251 FTEs, or about 53 percent. ACDA'S Senior Executive Service is represented by 24 SES FTEs, 8 EX FTEs, and 3 ST FTEs for a total of 35 senior level staff.

-- What accounts for the large number of high-graded staff at ACDA?

A2. ACDA is a specialized Agency requiring a high level of professional and technical skills. Over 50% of our employees have advanced degrees and 70% have college degrees or higher.

ACDA has relatively high grade structure compared to that in United States Government agencies across the board, but not when measured to other comparable components of national security policy agencies that deal with the same or similar substantive areas.

Q3. The largest concentrations of ACDA staff positions fall under the categories of Foreign Affairs Specialist (53), Secretary (34), Physical Scientist (15), Attorney Advisor (9), Computer Specialist (9), and Consultants and Experts (7). In comparison, the State Department's Bureau of Political Military Affairs has at least 35 Foreign Affairs Officer and 25 Political Military Affairs Officer in arms control and nonproliferation-related offices.

- How are the responsibilities and skills of the ACDA positions different from those of State and how are they similar?
- How do ACDA and the State Department ensure that there is not unnecessary duplication between the functions of its Foreign Affairs Specialists and State's Foreign Affairs Officers and Political Military Affairs Officers who are responsible for arms control, nonproliferation, and export controls functions?

A3. Though the titles of some ACDA and State staff positions are similar, others have concrete distinctions between ACDA and State. ACDA's only mission is arms control, nonproliferation and disarmament. State's mission is multi-faceted with arms control and nonproliferation considerations being balanced with many other foreign policy concerns such as human rights, economics, developmental concerns, refugees, etc.

Both formal and informal interagency coordination assists to ensure that unnecessary duplication between State/PM and ACDA is avoided and/or eliminated.

Most recently, the NPR concluded that ACDA is vital and that unnecessary duplication between State and ACDA is to be eliminated.

Q4. A partial listing of ACDA's staff in 1994 showed that ACDA was represented by at least 185 academic credentials in a number of diverse fields. The highest concentrations of academic credentials were in the fields of political science (12 bachelors degrees, 4 masters degrees, and 1 Ph.D. for a total of 17), international relations (5 bachelors degrees, 17 masters degrees, and 1 Ph.D. in international relations/defense policy for a total of 23), for a total of 40 such degrees, and law (14 various law degrees), for a total of 54. In all, ACDA officials at that time held a total of 80 academic degrees in various social sciences related to political science, government, international relations, or area studies and languages, compared to 57 degrees in the "hard sciences."

--- Given that a greater number of academic degrees for ACDA staff fall in the social sciences than in the hard sciences, how does this represent the "technical expertise" that ACDA is reputed to possess?

A4. ACDA's technical expertise is evident not only in academic credentials but years of experience and continuity on the subject matter. ACDA currently employs 18 full-time staff holding doctoral degrees in chemistry, computer science, engineering, operations research, physics, or seismology. Finally, we do not accept the inference of the question that technical expertise does not reside in individuals with academic degrees in the social sciences.

Q5. In 1993 State proposed merging ACDA's functions and appropriating ACDA's personnel into State. A State Department assessment of this option noted that the difficulty would be in gauging how much larger State would have to become to absorb the additional ACDA work. State tried to assess the amount of overlap between the agencies and produced estimates of cost-savings that were "necessarily rough." Both State and Congressional Research Service ("CRS") estimated a potential personnel reduction shared between State and ACDA of 120-150 Full Time Equivalent ("FTE") staff and a net savings of approximately \$3 to \$25 million per year.

-- Has the "sharp disagreement among experts as to what number of positions/functions are truly redundant" between the two agencies -- noted by State as a caveat to its cost-savings estimates -- been resolved? If not, how would they be resolved and what might the impact be on State's 1993 cost-savings estimates?

A5. The State Department did not conduct a formal study identifying any net savings of merging ACDA into State in 1993. Based on a number of assumptions, that were not assessed for their policy and fiscal implications, a CRS study in 1993 noted a possible savings of \$3 million a year. That same study, however also estimated a one-time consolidation cost of \$10 million.

Q6. If State did not have a presumed flexibility in creating new offices and choosing the best and strongest staff from ACDA and State, regardless of civil service protections and rights, how would the numbers of retained staff and costs be impacted?

A6. Assuming State does not have such flexibility, ACDA staff and related expenses would be transferred in total.

Q7. To what degree would termination costs of ACDA and State employees not retained reduce the cost-savings estimate?

A7. Given that the current Administration's position does not call for such a merger, these specific computations have not been calculated. However, to the extent that any cost savings could be identified, they would probably be exceeded by such expenses as: lump-sum payments for annual leave, unemployment insurance payments, severance pay, litigation expenses, etc.

Q8. What costs would be involved with shutting down ACDA and transferring its functions to State? How would such costs specifically effect estimates of cost-savings previously prepared by State for possible consolidation of ACDA with State?

A8. Once again, given that this scenario was not validated by this Administration and that ACDA's revitalized current status has been determined at the highest levels of our government to be in our national security interests, these specific computations have not been calculated. Typical costs associated with the transferring of functions from one agency to another include: relocation expenses, cost of termination provisions of existing contracts, cost to initiate new contracts or modify existing State contracts necessary to assume additional requirements resulting from such a transfer, expenses related to any personnel actions as well as associated potential litigation expenses, training expenses necessary for new employee orientation and indoctrination, etc. Such additional costs would probably exceed any potential savings.

Q9. State Department's Bureau of Political Military Affairs ("PM") has a Deputy Assistant Secretary for Arms Control, a Deputy Assistant Secretary for Nonproliferation, and a Deputy Assistant Secretary for export Controls that reviews export licenses, in part, for arms control and nonproliferation concerns. Within PM are an Office of Nuclear Energy Affairs (PM/NE), Office of Regional Nonproliferation (PM/RNP), Office of Chemical and Biological Weapons and Missile Nonproliferation (PM/CBM), Office of Trade Control (PM/DTC), Office of Export Control Policy (PM/EXP), Office of Strategic Policy and Negotiations (PM/SPN), and Office of Arms Control and Implementation (PM/ACI). Furthermore, State officials said that staff under the regional bureaus also handle arms control and nonproliferation issues sometimes.

- How many personnel in the State Department actually are responsible for arms control and nonproliferation issues a majority of their time?

A9. Most State Department officers spending the majority of their time on arms control and nonproliferation are located in the Political-Military (PM) Bureau. Within PM, 80-100 officers spend most of their time on arms control and nonproliferation functions.

Q10. One function of the National Performance Review's Phase 2 effort was to identify overlap in functions and unnecessary duplication among agencies.

- Did the agencies involved attempt to identify overlaps in programmatic as well as in administrative functions?
- If so, what were the results in duplicative functions identified?
- If not, when will this effort occur?

A10. The agencies attempted to identify overlaps in programmatic and administrative functions. They are working together to adopt common administrative functions. They have worked with the NPR to identify areas of unnecessary duplication. It has not been decided what, if any, programmatic functions are unnecessarily duplicative. The NPR is evaluating this issue and we will advise you as soon as further details are available.

Q11. According to the Congressional Research Service (CRS), major obstacles to a consolidation of ACDA with State are various civil service laws and protections. There are clear regulatory requirements governing what is called a transfer of function. The principal regulation says that if there is a government reorganization wherein an agency's functions (s) continues elsewhere, then a mass transfer occurs and employees have a right to transfer with that function. Programs and resources also follow that function to the new agency. There is no job protection if a function disappears altogether.

According to the CRS, neither the President nor the Department has the authority to transfer ACDA's functions without State assuming all the associate resources and personnel. Also, all or most of ACDA's programs and personnel probably would have to be transferred to States with those functions. At that point, State could make a determination that excess personnel existed and the personnel force had to be reduced. A Reduction in Force ("RIF") at State would have to occur. A RIF would not guarantee that State personnel would necessarily survive over former ACDA employees.

- Has ACDA researched the impact of personnel regulations and protections on a transfer of functions between ACDA and State?
- Do transfer of functions regulations apply if ACDA is abolished legislatively and its functions authorized by law to be transferred to another agency?
- Has ACDA analyzed whether legislation that gave the President specific authority to transfer to a new agency such personnel as he determined should be necessary, "notwithstanding any other provision of law" (similar to Sec. 621 of the Foreign Assistance Act of 1961 that established AID), is feasible?

A11. ACDA has not researched the impact of personnel regulations and protections on a transfer of functions between ACDA and State. However, transfer of function regulations would apply to ACDA. We have not analyzed the complex questions of personnel law and regulation that would arise in the context of a consolidation of ACDA with a new agency.

Q12. Some studies concluded two years ago that ACDA's ability to operate effectively at senior political levels in the executive branch has declined substantially since the early 1970s (with the exception of the Carter Administration). Many observers argue that merging ACDA's functions into State could enhance U.S. arms control objectives by making ACDA an intrinsic part of State. Non-proliferation would be strengthened because arms control experts would be working side-by-side with State officials handling export control license and policy questions. Arms control experts could draw on State's other resources and could weigh in earlier in State's policy-making process, in order to craft stronger and more effective arms control strategies. Also, arms control advocates would have guaranteed access to the Secretary of State through an Under Secretary, with whom the Secretary of State would meet daily.

- Why would this arrangement not be preferable to continuing a separate organization with declining influence?
- On balance, how would the gains outlined above outweigh the loss of direct access of a separate ACDA Director to the President and the NSC advisor?

A12. The arrangement described would: eliminate the ACDA Director's direct access to the President, National Security Advisor, and the Secretary of State; relegate the ACDA Director to an Assistant Secretary position, 1 out of 20 envisioned by the Helms proposal; demote the ACDA directorship two levels in rank from an independent senior advisor to a lower-level official; eliminate ACDA's current seat at the National Security Council table when arms control issues are discussed; and expel ACDA from the interagency policy-making process where all significant arms control and nonproliferation decisions are made.

It would also lower rather than raise ACDA's influence because it would eliminate ACDA's independent ability to offer unconflicted arms control advise to the

President and his advisors when formulating policy. The question seems to assume that ACDA has no interaction or influence within State. Nothing could be further from the truth. For example, the Director meets with the Secretary regularly in his staff meetings, in frequent meetings with the other foreign policy agencies (AID and USIA), and in private meetings whenever necessary. There are daily interactions between the working staffs of ACDA and their counterparts in State.

On balance, the gains of an independent voice and the expertise that such a voice requires, helps the U.S. to do a better job on arms control and nonproliferation. Folding such capability into State runs a high risk that unconflicted arms control and non-proliferation issues would be subordinated to legitimate country concerns that are the proper concern of State. Both sides need to be heard in their strongest form (the same goes for the defense and intelligence sides) if the U.S. is to have the strongest national security policy.

ACDA's influence has hardly been declining since President Clinton made his 1993 decision to revitalize it as reflected in arms control and nonproliferation activities. ACDA has the lead responsibility in the USG. ACDA has the lead for: Permanent Extension of the Nuclear Nonproliferation Treaty (NPT), Comprehensive Test Ban (CTB), Fissile Material Cut-off, Chemical Weapons Convention as well as all of the implementing bodies for all arms control agreements.

Q13. The Director's statement before the Subcommittee on Commerce, Justice, State, the Judiciary and related Agencies on March 8, 1995, declared that ACDA has undertaken a number of efforts and streamlining activities, which have resulted in ACDA's dropping several lower priority activities entirely, and eliminating a quarter of its operating divisions.

- What were the activities that were "dropped"?
- Were any positions eliminated? What happened to the personnel in those positions?
- Did any savings result from the elimination of these activities?
- Given that the agency has eliminated some activities and has undertaken new mandates associated with the revitalization effort, what are the new costs or savings that have resulted from these changes?

A13. In the area of negotiations, there were or will be reductions in five areas: Former Soviet Union defense conversion, the Conference on Disarmament (except for CTB and Fissile Material Cutoff), UN first committee, Confidence Building in Europe, and the NPT extension. In the area of defense conversion ACDA has essentially dropped that activity except to monitor it from a nonproliferation and arms control perspective. It was felt that defense conversion is more properly handled by the Defense department. In the area of the NPT extension, there are plans to greatly reduce the number of people assigned to the NPT extension conference when it is completed. In the other areas, the numbers were reduced somewhat either to account for the completion of negotiations or a reordering of priorities.

In the area of treaty implementation, there are FTE reductions in the commissions

for the START, INF, and ABM treaties. This was accomplished by moving the commissions into the bureaus for administrative purposes. This closer relationship enabled some reductions with no loss of effectiveness. In the area of support, FTEs are being eliminated in intelligence, computer, and mail and courier services.

The approximately 30 FTEs associated with these functions were or will be reassigned to some of the new areas of arms control and nonproliferation such as CTB, fissile material cutoff, regional arms control and nonproliferation, the CWC office of national authority, and IAEA issues. These reassessments only partially meet the growing needs of arms control and nonproliferation. By eliminating one quarter of our divisions we delayed our decision-making process.

The areas where ACDA has been able to reduce expenditures has been in streamlining its administrative costs. Most of this has been overseas where ACDA has significantly reduced the number of apartments used by negotiators, the number of cars and drivers, and the number of foreign nationals' support.

ACDA plans to move the arms control negotiators out of the Botanic building in Geneva and into the U.S. mission. This will mean a significant savings in rent for ACDA.

Q14. Information from ACDA indicated that ACDA is the lead agency for implementing 19 of 26 ongoing missions, and shares the lead with one other Agency on one mission. These missions include the Chemical Weapons Convention Organization of National Authority, and commissions related to various arms control agreements (ABM Treaty, START, Intermediate Nuclear Forces, etc.)

- What activities are involved in being the lead agency for implementing such missions?
- What levels of the ACDA workforce would need to be transferred to State to ensure continuity in performing these missions?
- Does State currently possess the staffing levels and expertise necessary to perform these missions?

A14. Being the lead agency involves chairing interagency backstopping meetings that provide guidance and instructions to U.S. delegations negotiating implementation of agreements as well as to U.S. embassies dealing with treaty parties. It also involves maintaining the institutional memory for the U.S. Government on the particular commission or negotiation. Continuity in performing these missions would require preservation of ACDA's workforce and infrastructure since the State Department's focus is on bilateral and multilateral issues. Accordingly, State should not and not possess the staffing levels and expertise necessary to perform these missions.

Q15. Information from ACDA indicated that ACDA chairs a total of 47 interagency meetings and committees related to arms control and nonproliferation. In contrast, State chairs a total of 60 such interagency meetings and committees.

- What are the responsibilities and activities of the Agency chairing such interagency bodies?
- Is State presently capable of picking up the workload for chairing an additional 47 such bodies? If not, what portion of ACDA staffing would need to be transferred to State to ensure continued operation of these interagency groups?
- Could other agencies that are members of these interagency bodies be tasked to replace ACDA as chairing the groups?

A15. The Agency's responsibilities are to lead internal U.S. Government deliberations on the specific mission for which the interagency body was created. They include hosting meetings, setting agendas, coordinating U.S. Government positions and framing disputes for resolution by the White House. They can also include heading briefing teams for the Congress, negotiations abroad or public diplomacy. It would not be practical for the State Department to pick up the workload carried by ACDA, in part because State is often spread thin at interagency meetings and because ACDA's unique niche in the national security arena. ACDA's staff would need to be transferred to State to ensure continued operation of these interagency groups. Theoretically, other agencies could be tasked to replace ACDA as chairs of these interagency groups, but those agencies would not have the arms control mission or provide the same institutional priority to the issues as currently maintained by ACDA. Such a theoretical development would ultimately dilute and dissipate the arms control considerations only guaranteed by ACDA.

Q16. ACDA's fiscal year 1996 budget presentation request declares that ACDA has achieved significant savings.

- What is the baseline from which the savings were estimated?
- How much was saved and where did the savings come from (the elimination of activities or FTEs)?
- Are these one time savings or are they reoccurring?

A16. The baseline is ACDA's FY 1995 appropriation and personnel levels. Given ACDA's request for additional funding and positions, all savings are reflected as net and serve to offset the Agency's incremental requirements which are necessary to support this Administration's expanded arms control and nonproliferation agenda.

These are reoccurring savings because they reduce ACDA's baseline.

Q17. The request also indicates that substantial savings were realized last year through reductions in ACDA's motor pool and apartments abroad.

-- What was the total amount saved as a result in these reductions?

-- Are there any other areas where savings have been achieved?

A17. In accordance with the President's executive order, ACDA reduced its motorpool in Geneva, Switzerland by more than one-half. This has resulted in a one time savings for vehicle procurement of approximately \$25,000 per vehicle.

Additionally, since 1992, ACDA has reduced by 3 the number of apartments it maintains overseas -- an estimated cost savings of \$40,000 per apartment per annum.

These two savings resulted in a total savings of \$250,000 per annum.

As a faithful and vigilant steward of USG funds, ACDA management continually looks for opportunities to identify economies. As a current example, ACDA is in the process of canceling a lease in Geneva which will provide for additional savings beginning in FY-96.

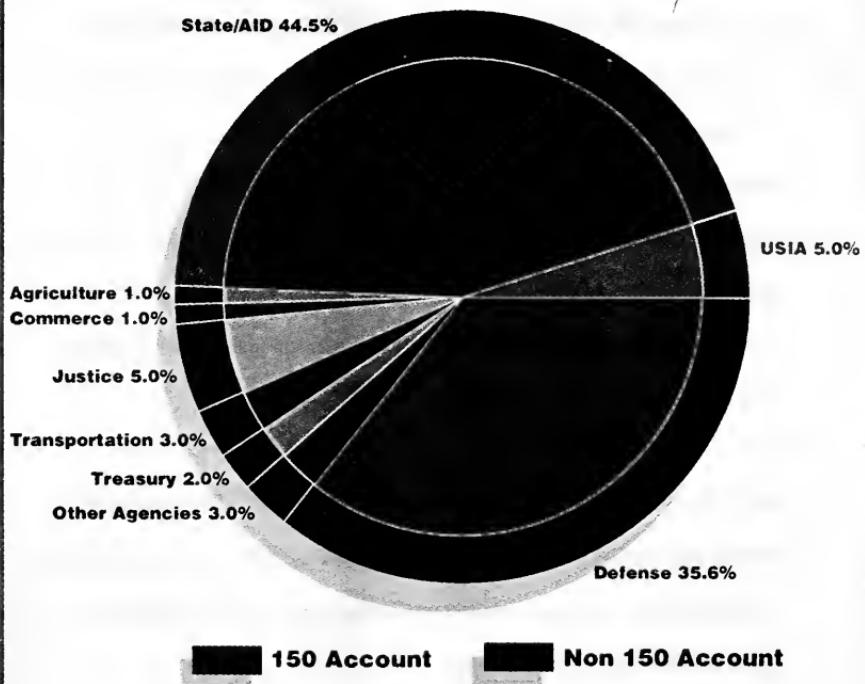
Q18. ACDA officials have said that ACDA's streamlining effort to date had nothing to do with downsizing and cost savings, but were intended to achieve management efficiencies. They indicated that cost savings might be achieved after implementations of the National Performance Review Phase 2 efforts to reduce duplications among foreign affairs agencies' administrative services.

- What sharing or consolidating of services is planned for the NPR Phase 2 effort for ACDA?
- How much cost savings is estimated to be achieved from these efforts?

A18. Under NPR Phase 2, to date the foreign affairs agencies have identified twelve areas of common support and have created equally as many task forces to address these services -- who best performs them, which is the most economical venue without compromising efficiencies and effectiveness. The twelve areas currently being reviewed are: warehousing, records management, declassification, travel voucherizing, travel management, shipping, printing, property claims, security, training, software development, and contracts.

Currently, State already provides the bulk of these services for ACDA, therefore any additional savings identified would be minimal. Because the various task forces are still in the process of identifying and pricing their specific recommendations, no dollar amounts are currently available.

What our Embassies Overseas Really Look Like



The conduct of American foreign policy today involves a broad range of departments and agencies, including many outside the 150 Account

Adapted from 12/94 GAO Report: "Overseas Presence - Staffing at U.S. Diplomatic Posts"

MISSION

What foreign publics think and do can help and harm Americans—their lives, their livelihoods, their well-being.

The mission of the United States Information Agency is to understand, inform and influence foreign publics in promotion of the U.S. national interest, and to broaden the dialogue between Americans, their institutions and their counterparts abroad.

- To explain and advocate U.S. policies in terms that are credible and meaningful in foreign cultures;
- To provide information about the official policies of the United States, and about the people, values and institutions which shape those policies;
- To bring the benefits of international engagement to American citizens and institutions by helping them build strong longterm relationships with their counterparts overseas;
- To advise the President and other policy makers on the ways in which foreign attitudes will have a direct bearing on the effectiveness of U.S. policies.

RESOURCES

- USIA supports U.S. foreign policy goals using several primary resources:
 - International radio and television broadcasting assets;
 - Targeted information materials which cut through the "white noise" of information overload and direct attention to American policy;
 - Educational and cultural exchange programs, in cooperation with local institutions, citizen groups, and nongovernmental organizations in fifty states;
 - Assessments of foreign public opinion and its impact on U.S. foreign policy; and
 - Most important, officers who serve at U.S. diplomatic posts around the world.

These resources do not exist in isolation from one another; they are interdependent, to be used singly or in combination as necessary in pursuit of our national interests abroad.

REINVENTION AT USIA: BOTTOM-UP REFORM INSTEAD OF TOP-DOWN BUREAUCRACY

USIA has stressed the maximum involvement of all employees as part of its effort to reinvent an Agency that works better and costs less.

- 150 Account:** With only 6 percent of the resources, USIA has contributed 58 percent of the savings in the 150 account.
- Budget Reduction:** \$92 million, or 19 percent drop in operating levels – from \$487 million in 1994 to \$395 million in 1996.
- Broadcasting:** Savings of over \$400 million, cut of 1,250 staff positions and elimination of 330 hours of duplicative programming through consolidation of U.S. international radio broadcasting.
- Downsizing:**
 - ♦ Dismantle Bureau of Policy and Programs, eliminating magazine and exhibits divisions.
 - ♦ FY95 savings: \$10.4 million, 158 positions.
 - ♦ FY96 savings: \$6.5 million, 75 positions.

- Office of Research and Media Reaction: 12 percent cut.
- Policy Office: reduction in positions from 23 to seven.
- FY96 reductions in the non-broadcasting budget of \$47 million and 187 positions.
- Closure of public-access libraries abroad:
 - Replacement with electronic database distribution;
 - Savings of millions of dollars in NIS alone.

Reinvention:

- Creation of new Information Bureau staffed with 30 percent fewer people, emphasis on team management and new technologies.
- Cooperation with Foreign Commercial Service to expand international commercial and educational ties overseas.
- Targeted reinvention effort underway in the Bureau of Educational and Cultural Affairs.
- REGO 2 effort to establish common administrative services, eliminate duplicative practices, and use the private sector to increase competition and cut costs.

WHY REMAIN A SEPARATE AGENCY WORKING UNDER POLICY GUIDANCE FROM THE DEPARTMENT OF STATE?

Effectiveness of organization, focus, and management does not come from "moving boxes." Effectiveness comes from organizational coherence, credibility and flexibility.

- Coherence – USIA serves the whole of the U.S. government—executive, legislative and judicial branches—providing for "one voice" abroad.
- Credibility – Broadcasting, information and exchange programs all benefit in some measure from being separate from official government-to-government interactions.
- Flexibility – USIA has the ability to meet and talk with a broad range of groups and individuals outside of formal government-to-government channels.

Statement of
Under Secretary Richard M. Moose
Department of State

Mr. Chairman and Members of the Committee:

My colleagues from the other foreign affairs agencies and I are pleased your Committee has invited us to appear before you again. We wish to share with you our thoughts relative to the Committee's legislative proposal and its potential affects on current leadership in the world.

There are many ways to organize the United States Government to deal with international affairs and the increasingly complex post-Cold War world. One way is clearly exemplified in the legislative proposal before us. That is to put as many foreign affairs functions as possible in a single department, resulting in a larger, more layered bureaucracy and then reduce the funds available to operate it.

A much better way, is one that relies on the overall policy direction of a single Cabinet officer reporting to the President -- that is, the Secretary of State -- supported by a number of specialized agencies and programs.

The Clinton Administration strongly believes in the second model which relies upon efficiently sized, functionally-based agencies, relating to one another and to the Secretary of State with the flexibility to match their special expertise and programs to diverse challenges. We believe the decentralized model best serves the President's and the country's needs for effective and measured management of our international responsibilities. We also note that this model is consistent with best practices in the private sector.

I have heard your estimable Speaker, Mr. Gingrich, cite futuristic author Alvin Toffler as one of the thinkers he most admires. In his most famous book, The Third Wave, Mr. Toffler argues for what he calls "de-massification" in the corporate world and elsewhere.

We are all familiar with examples of "de-massification" which have proved to be enormous benefit to consumers. Instead of three closely controlled TV networks, viewers can now pick from dozens of channels, as large as CNN and as small as a local school district. One mammoth telephone company has been replaced by literally hundreds, with greater choice and lower prices.

Even in the public sector, the wisdom of Toffler and respected modern management theorists like Peter Drucker and Rosabeth Kanter is evident. Small, de-centralized specialized units are almost always more effective than large megastructures. Let me provide one dramatic but obvious example: would the Marines, Navy and Air Force be better prepared for crises if they were eliminated as distinct, specialized organizations and merged into the largest of the services, the Army? With all respect to the U.S. Army, I don't think so!

Our foreign affairs institutions are no different. The foreign affairs agencies have developed their skills and expertise over decades of service and program development. There are 38 agencies of the Federal Government which have personnel stationed at our missions abroad, each with responsibility to pursue the mandate of that agency within the context of our broader foreign policy goals. The Foreign Commercial Service was spun off from State only 15 years ago. Coordinating priorities and speaking with one policy voice abroad is a challenge, but one which we have met and are meeting well. Abolishing three of the 38 agencies will not alter the equation.

The State Department's Strategic Management Initiative, a comprehensive employee-led effort, reaffirmed the soundness of State's basic mission and structure but pointed the way to constructive change. The geographic, political and economic expertise of our people, our worldwide network of posts abroad and our skills at reporting and policy integration remain core strengths. But we acknowledge that each of these must be employed in ways which correspond to today's realities.

Using reinvention principles of the National Performance Review, State, ACDA, AID and USIA are streamlining their operations and focusing on their unique capacity to advance the interests of America abroad. In the case of the Department of State, Secretary Christopher announced yesterday his action plan for making our Department even more effective as we approach the new century. The major steps announced by the Secretary include:

-- closing at least 20 posts in FY96, in addition to the 17 already closed in this Administration; categorizing our posts in relation to the nature and significance of our interests in each country and establishing base line staffing models to make it easier for us to re-allocate personnel among geographic regions to meet changing priorities.

-- Reducing staffs of the Secretary and Under Secretaries and enhancing the role and responsibility of Assistant Secretaries as managers of both policy and resources, by streamlining paperwork, reducing the number of layers and checkers in our policy formulation process, and instituting stricter policy and resource accountability at their level.

-- Reallocating domestic support costs to accelerate the modernization of our information technology and other enhancements in our readiness. Appoint a full time Chief Information Officer with broad authority across bureau lines.

-- Expanding the use of teams, both within State and inter-agency, in the policy development and implementation process. The team concept will focus accountability on one issue manager, while at the same time bringing in more actors, especially our foreign affairs agency colleagues, at an earlier stage. This process has worked well for crisis management. We intend to incorporate it into the way we do business everyday.

I would note in passing, Mr. Chairman, that many of the SMI reforms respond not only to the desire of our employees to enhance the effectiveness of the Department, but also to Congressional recommendations. In this respect I refer specifically to the rationalization of our overseas structure and to the manner in which we go about the modernization of our information technology. Mr. Chairman, I assure you we do listen and we are changing.

State, USIA, AID and ACDA constitute the civilian front lines of the nation's security. In the ways I have indicated, SMI will strengthen the Secretary of State's ability to act as the catalyst, coordinator and spokesman for our international engagement. As I have also noted, each of the other agencies has taken, and will continue to pursue, its own steps to sharpen its focus in order to better serve our President and our people around the globe.

The Department of State and our sister agencies need to devote our creative energies and management resources over the coming years to achieving the ambitious yet tangible re-invention goals which they have set for themselves under the NPR. In State's case, both SMI's employee working groups and the Department's leadership are convinced that the reforms we are undertaking will enhance our effectiveness in defining and advancing what American stands for in the world.

Devoting those same energies and resources to trying to absorb these diverse partners will detract from and complicate what each of the agencies is doing itself, but without reference to the challenges of today's world. I'm reminded of another modern management book, The Virtual Corporation, which describes "electronic partnerships" as faster, more creative, and contributing more to customer satisfaction than mergers and takeovers.

SMI will move us toward that electronic partnership to take advantage of teamwork, not just with AID, USIA and ACDA, but with many more of the U.S. Government agencies operating internationally and with the many American citizens and groups which have a vital and growing interest in what happens around the globe.

But we also appreciate that your proposed legislation is part of an important debate about national purpose, international leadership and, ultimately, about how our tax dollars should be spent. And here I must underscore the Administration's deep concerns over the extraordinary reductions proposed in function 150.

To reduce our funding levels to the suggested \$18.4 billion, a full \$2.8 billion below the Administration's request, will wreak havoc on our foreign policy and the institutions charged with carrying it out. We are particularly concerned over the proposed reductions in Development Assistance, international broadcasting and exchanges, Economic Support Funds, Operating Accounts and our support for International Organizations.

The Function 150 budget funds the first line of defense for our nation in the world. Shortchanging this function -- which constitutes no more than 1.3% of total federal spending -- will inevitably lead to greater costs in future years. We strongly urge reconsideration of the recommended levels.

In addition to depriving the United States of the resources needed to exert effective leadership, the Overseas Interests Act would also impose harmful restrictions on the ability of the President and the Secretary of State to conduct certain aspects of American foreign policy. At this hearing, and then later as the Committee moves to its markup, we will have more to say about our specific policy concerns.

But let me return to the issue of the future of our institutions. Mr. Chairman, the Secretary asked me to underscore his belief that the proposal before us would seriously undermine America's capacity for leadership abroad. It will do so through major budget cuts for important international programs, and also through the delayed but certain death sentence which it pronounces on ACDA, AID and USIA. Should these features remain at the center of this Committee's authorization legislation, it is unlikely that the Administration will be able to support final passage of the bill.

But there is another path open to all of us. Each of these agencies is, in the Vice President's words, an "essential vehicle" for achieving American foreign policy goal. We are making considerable strides toward eliminating overlap and duplication among us, providing common administrative services and modernized information systems, and matching resources with common policy priorities. In time, these steps will produce savings, but the truth is that consolidation per se does not save money. The "savings" currently being attributed to consolidation would come from reducing the budgets of specific programs, not moving people to new offices with new signs on the door.

You and your Committee must share our frustration with those who believe that cuts in the 150 account represent a way to put America first. They simply fail to recognize today's global competition -- for goods, for ideas and for national advantage. All of us interested in job creation, human rights, nuclear non-proliferation, the fate of refugees, crime and law enforcement, drugs or terrorism -- we all know that America cannot cut itself off from the benefits and obligations of membership in the world community.

We cannot be leaders on the cheap. We cannot advance the cause of our own people without supporting the programs and interests which we share with the other nations of the world. What happens around the globe matters to America, profoundly and in every community.

I believe that with the reforms the Secretary has outlined -- and which all the foreign affairs agencies are pursuing under NPR -- that we are restructuring ourselves to reap those benefits and meet those obligations.

I urge this Committee and your colleagues on other committees of the Congress to provide the resources we need to develop and sustain the programs on which our leadership depends. Consolidation proposals are a diversion and should be set aside while we pursue serious, cost effective reform of agencies performing unique missions. Together we can ensure that the needed authorities and resources are provided to each of our agencies at a cost we can afford and which respects our citizens' priorities.

Mr. Chairman, I recognize the goodwill and hard work which you personally have devoted to the bill you have authored. I honestly believe that turning the State Department into a mammoth foreign affairs bargain outlet will not achieve the objectives which we share. After you hear from my colleagues I would be pleased to join them in answering your questions.

Statement of J. Brian Atwood
Administrator
U.S. Agency for International Development
to the
Committee on International Relations
House of Representatives

Washington, D.C.
May 9, 1995

Mr. Chairman: Thank you for allowing me this opportunity to appear before the Committee today. We all recognize the gravity of the issues before this committee and I must be frank. The Administration is deeply disturbed by the budget and reorganization proposals being considered by this committee with regard to our international affairs operations. While the Administration welcomes lively debate on the best course for America's foreign policy in the post-Cold War period, we fear that this bill would force America to abdicate a large part of its international leadership.

As former President George Bush said so eloquently last week, "I believe winning the peace and expanding the promise of democratic capitalism in this new era are possible only if America continues to lead in the world. We cannot retreat and turn inward. We must stay engaged." President Bush, during his visit to Romania, argued that, "we can already hear the heated rhetoric of those who would respond to the economic uncertainty many Americans face by calling us home into some kind of Fortress America. They preach a peculiar brand of neo-isolationism and protectionism. Some even call themselves 'America Firsters.' But what they don't seem to realize is that the best way to put America first is to put isolationism and protectionism last. Churchill said 'the price of greatness is responsibility.' Well in my view, the need for American leadership has not diminished one bit; and yes, there is a price to be paid for that leadership."

In considering both dramatically reduced funding levels for international affairs, and restructuring the foreign policy structure of the United States government, we need to act with the utmost responsibility. At every step of the process we must ask ourselves both what will be gained, and what will be lost. I have looked closely at the reorganization and budget proposals that the committee is currently considering. I cannot escape the conclusion that these proposals, if enacted, will cost the United States dearly.

The combined effect of the reorganization and budget cuts would cripple America's global leadership and our ability to advance U.S. interests abroad. The reorganization has been trumpeted as an efficiency move, yet it is far from clear that it will improve management or save money. The GAO was unable to conclude that there would be significant savings from merging the four agencies. Everyone close to the issue has realized that savings will only be obtained by slashing vital programs, not because of any improvements in efficiency.

The current budget proposals target development assistance for the deepest cuts. Such cuts would do profound damage not only to friendly nations struggling to establish market economies and democratic systems, but to American families and America's long-term economic health. If development assistance is cut by one-third, the United States will be faced with very hard choices: abandoning entire sectors of our development programs; leaving entire regions of the world; or closing perhaps twice as many missions as we already have. In any of these scenarios, American's national interests and the poorest of the poor around the world will suffer greatly:

- In some parts of the world, these cuts would clearly benefit the trade prospects for our economic competitors, while undermining the growth of U.S. exports to developing markets. America's ability to move nations toward free market reforms would be drastically reduced and countless U.S. firms would lose a valuable "foot in the door." America would be giving away the comparative advantage it now enjoys in fast growing export markets such as environmental goods and services, high technology products and agricultural processing equipment. Tens of thousands of American jobs would be sacrificed as a result. In those countries not deemed as good economic prospects, other donors might simply follow America's lead and abandon those most in need. Cuts in U.S. assistance have the potential to trigger a chain reaction of cuts from other donors to the most vulnerable nations.
- Budget cuts of these levels could result in hundreds of thousands of easily preventable deaths of children in the developing world. It is possible that four million children would not be vaccinated, that there would likely be 600,000 more unintended pregnancies around the globe each year, and that at least 100,000 children could die because they were denied oral rehydration therapy.
- These proposals would abandon America's longstanding commitment to advancing both free markets and democracies. America would still provide assistance to refugees, but would deny nations the support needed to ensure their citizens don't become refugees. America would be sending a clear signal to the international community that development was no longer a U.S. priority.

As a result, The United States would lose the leadership that it needs to work with our international partners.

- The reorganization of the U.S. government's foreign policy structures could cause major disruptions in the conduct of U.S. foreign policy for years to come. Instead of undertaking a top-to-bottom review of the full range of foreign affairs conducted by the U.S. government, Congress would be shotgunning through legislation opposed by the Administration. The reorganization proposal would likely add layers of unneeded bureaucracy to our foreign affairs operations, diminish U.S. flexibility in meeting pressing foreign policy challenges and sacrifice long-term development to short-term political gain. Deep cuts in the 150 account could also cause immediate, and expensive, reductions in force at these agencies.
- The reorganization proposal would cast away the sweeping reforms that USAID and the other agencies have put in place during the Clinton Administration, and send a message government-wide, that reform and innovation are to be punished -- not rewarded.

I would like to deal with each of these points in turn. One of the most enduring benefits of foreign assistance programs has always been the new markets and increased trade it has helped generate for the United States. This is especially true with the end of the Cold War. Some have suggested that opening America's export markets is best left to American business, not the U.S. government. Private investment is indeed a crucial part of the equation, but such reasoning misses a more fundamental point: American companies will not invest in a country until they have some basic reassurances that their investment will be reasonably safe and given fair treatment under the law.

Will IBM invest in a country that does not have fair business codes? Will Ford Motors be attracted to a nation that does not have viable commercial banks and reasonable tax and tariff standards? Will Fortune 500 companies find investing in nations ruled by unstable regimes appealing? The answer in each case is clearly no. Foreign assistance helps create the stable and transparent business standards that U.S. companies must have to operate in a country. It is U.S. technical assistance and expertise that has traditionally been the first Marine on the beach in developing markets. It is U.S. assistance programs that have leveled the playing field so private investment can serve as the true engine of development.

Most of the growth in U.S. exports is not coming from trade with our traditional partners, but from the explosive growth in American exports to the

developing world and nations who are making the transition away from socialism toward free markets. Between 1990 and 1993, U.S. exports to developed countries grew by 6.2 percent. In contrast, during that same period, U.S. exports to developing countries grew by a remarkable 49.8 percent. This growth in trade to the developing world meant \$46 billion more in U.S. exports and 920,000 more jobs in the United States.

Importantly, developing countries are particularly good customers of the type of high-tech products which we lead the world in producing, such things as pollution control equipment, communications equipment and computers. Exports to countries in both Asia and Latin America are one of the primary reasons our unemployment rate in the United States is low and our economy is still growing.

The incredible growth of American exports to these emerging economies is not the product of luck. Years of efforts through U.S. foreign assistance programs helped foster an enabling environment for American trade in these markets. Programs not only in economic growth, but in institution building, civil-society and the environment all boost American trade. When I look at the proposals that this committee is considering, if I didn't know better, I would think they were written by our business competition eager to give themselves an advantage in tomorrow's markets.

Does it make any sense for America to potentially turn away from a \$300 billion annual market in environmental goods and services? The total global market value for environmental goods and services is estimated to be \$600 billion by the end of the decade. Without U.S. support for environmental programs underway in these countries, American firms will be losing their comparative advantage. It makes no sense at all to potentially drastically cut these funds and shoot our own businesspeople in the foot. The possible loss to the American economy could exceed tens of billions of dollars and mean the loss of thousands of American jobs. Is that something you would be eager to explain to your constituents?

Not only would these budget cuts hurt America's economic prospects, they would have a devastating effect on the poorest of the poor around the world. In countries that are not yet economically promising, the U.S. budget cuts could well trigger other donor nations to simply abandon their commitment to helping the less fortunate as well. In the end, the cuts would not only mean severe hardships for the have-nots of the world, they would be felt in our own backyard. Foreign economic and humanitarian assistance programs make up less than one half of one percent of the U.S. budget. This small contribution by the United States makes a big difference around the world.

In any scenario, as I have said, budget cuts of this magnitude would mean very hard choices. In even the best of cases, the consequences of these cuts would be so severe that I think few Americans would support them if they knew their impact. A 30 percent cut in USAID's child survival program would mean that more than 4 million children will likely not be vaccinated, greatly heightening their risk of death or severe illness from such preventable diseases as measles, whooping cough and diphtheria. With cuts of these levels, millions of children and adults would be robbed of the most fundamental way to improve their lives and the lives of their families -- an education. These cuts would deeply impact some of the same programs you have worked so hard to champion, Mr. Chairman. A 30 percent cut in USAID's microenterprise program would probably translate into the equivalent of about 4.2 million loans to the poor that would not be made over the next ten years. A 30 percent cut in resources for USAID's AIDS prevention efforts could lead to an increase in infection rates resulting in almost two million preventable new HIV infections by the year 2000.

Oral Rehydration Therapy (ORT) prevents an estimated one million deaths a year due to acute diarrhea. Usage rates for ORT in all areas of the world have now risen to 40-65 percent. Despite the steady growth in ORT use, three million children still die from diarrheal disease annually. A cut of 30 percent in child survival resources would likely mean at least 100,000 children's lives would be lost each year for lack of this cheap and simple treatment.

Perhaps there is no better illustration of the penny-wise, pound-foolish nature of the budget cuts than polio. Polio has now been eradicated from the Western Hemisphere through the combined efforts of USAID, UNICEF, the Pan American Health Organization and Rotary International, greatly reducing U.S. costs to prevent this dread disease and to treat polio victims. A 30 percent cut in child survival resources would undermine the USAID-supported initiative to eradicate polio from the rest of the world by the year 2000.

But this would mean more than just not achieving the goal of eradicating polio from the world. It would also mean that the United States would continue to be forced to spend some \$300 million in public and private funds a year to prevent polio in American children -- a cost far higher than that of the eradication program. Do we not go to the dentist to save the cost of a single visit? Do we not change the oil in our cars although we could save \$20 each time we didn't? Then why are we here today considering eliminating investments that ultimately save the United States money?

It is interesting that the budget proposals being considered by this committee leave funds for disaster and refugee assistance virtually intact, yet slash funds for

development assistance. It is curious to me that the United States would wish to pursue a course where we help victims, but refuse to prevent people from becoming victims. America, and I am very proud of this, has always been willing to lend a helping hand to those whose lives have been shattered by flood, famine and war. That should not change.

Since World War II, America has also had the foresight to help other nations help themselves. Development assistance programs have always been designed to move countries to the point where they no longer need assistance. Countries that can feed themselves; countries that are free and democratic; countries that are good trading partners and good allies -- it has always been the goal of America's assistance programs to help create independence and self-sufficiency. And it has worked. South Korea, Taiwan, the Marshall Plan countries, Costa Rica, Thailand -- the list of nations who have graduated from our assistance programs offer a remarkable legacy to the vision of America's bipartisan foreign policy leadership.

Now we stand on the brink of abandoning this leadership. Instead of helping nations prosper, we would only be in position to assist them after they collapsed. Do we really wish to pretend that we can exist as Fortress America, only periodically air-dropping food and water into nations as they implode like Rwanda or Somalia? As we continue to cut development assistance, is anyone really surprised that we spend more in emergency assistance? Building democracies and free markets does not happen overnight. Shaping a safer and more prosperous world is demanding and full-time work. We should not abandon the long-term commitment to development that has served this nation so well.

I want to say that I understand the difficult task that you have before you in marking up the FY 1996 bill. Cuts must be made and I realize that foreign assistance seems like a natural place to start. The Clinton Administration does have funds for international relations on a glide path of steadily reduced budgets as part of the overall effort to reduce the deficit. The question becomes, "Do we cut funds in a responsible fashion, or an irresponsible fashion?" Since 1985, the International Affairs Function of the Federal Budget has been cut dramatically in real terms. In contrast, domestic functions increased 23.2 percent in real terms. Ten years ago, the 150 Account absorbed 2.5 percent of the federal budget. Today, it has been halved, to 1.2 percent.

Nevertheless, we have taken on significant new responsibilities. We have initiated programs for Central and Eastern Europe and the Newly Independent States. We have dramatically expanded our activities in South Africa. We have launched microenterprise and environmental initiatives in Latin America. We moved quickly to support the peace process in the West Bank and Gaza. We have already cut our small

development budget by 20 per cent in the last two years. We will never balance our budget if we fail to compete in the global economy, if we fail to create the new markets for American products in the developing world, or if we are forced to rescue whole regions that descend into chaos in part because we didn't take preventive action.

It is equally troubling that Congress is currently considering dramatically reorganizing part of the foreign policy structure of the United States. I do agree that it is time to reexamine all of our foreign affairs programs in the wake of the Cold War to ensure that they are appropriate, advance U.S. interests and are cost efficient. When looking to overhaul the America's military structures, the Congress and the Administration undertook an extensive and carefully executed top-to-bottom review of the Pentagon's capabilities, needs and potential. In contrast, when it comes to the foreign policy structures, which are equally vital to America's security, Congress is rushing through proposals without giving them a full public hearing or a thoughtful analysis. This is dangerous approach that makes for both bad precedent and bad policy.

The Administration is strongly opposed to combining four agencies with distinct missions into a single mega-bureaucracy. This reorganization plan does not make sense from a management perspective, it does not make sense financially, it sets dangerous precedent, it undermines the ability to conduct a sound foreign policy and it simply has not been well thought out or properly debated. USAID already directly supports U.S. foreign policy goals, under the overall guidance of the Secretary of State. But the mission of USAID has always been different from the core focus of the Department of State. The Department of State works in large measure on our bilateral relations with foreign governments and must often deal with difficult crises in those relations. The State Department's activities tend to have a relatively short term focus and typically involve political issues in our relations with other governments. State Department personnel are trained in diplomatic reporting, negotiation, representation and political analysis.

USAID is charged with promoting long term development in the world's less advantaged countries. USAID is now also engaged in helping countries of the former Soviet bloc to make the difficult transition from autocratic, command economies to democratic, free market economies. USAID carefully monitors the way our resources are spent to ensure that they are applied responsibly and effectively. USAID's field missions enable us to plan our programs and projects with a maximum degree of effectiveness and to ensure that our programs are, in fact, implemented as planned. Our field missions have made us the most effective aid agency in the world. USAID's staff is technically proficient in such fields as public health, nutrition, energy and environmental conservation.

The missions of USAID and the Department of State are different in time horizon and focus; they involve working with different types of partners; and they require quite different skills of their staffs. They reinforce one another, but they are not the same. This is even more true today than it was during the Cold War when policy was organized around the common goal of defeating communism. This reorganization plan is the equivalent of asking a governor -- in addition to their numerous other pressing responsibilities -- to take control of day-to-day management responsibilities for the city governments across a state. Is the average governor, as gifted as he or she may be, trained in the nuances of local road repair, wastewater treatment and functions of the city schoolboard? Of course not. Such an approach would make no sense. Then we must ask ourselves, "Is the average diplomat, adept as he or she is in international relations, well versed in agronomy, economic policy reform, telecommunications and arms control verification?" This approach does not make sense.

There is also the very real danger that a development assistance program submerged into the Department of State will find development overwhelmed and downgraded by the compelling political crises which will remain the core mission for the Department of State. The development mission would become a weak sister, with little authority over its own budget or management and whose ability to work with others in the international community was greatly diminished. Long term development goals would all too often run the risk of being subsumed by short term political expediency. Requiring the approval of regional Assistant Secretaries of State for each and every aid project before it goes forward would effectively lodge the power to decide on and disburse aid funding in the regional Assistant Secretaries hands, obviating the need or rationale for an Undersecretary of State for Development.

If it is the wish of this Committee and others to downgrade the development mission of this country, than a reorganization of the type proposed here would make sense. But no one here has raised the question of whether the development mission should continue or not. This kind of sea-change in policy should be carefully explored and debated on a bipartisan basis before we rush to it. We should not prejudge the outcome of a reasoned discussion of this issue through a premature reorganization. We should decide basic policy questions before turning to organizational issues.

Some have argued that there is insufficient coordination between the Department of State and USAID, and that a merger would strengthen that coordination. I would like to see details of where our coordination is weak. There are formal and informal coordination arrangements at every level of our two agencies'

operations, in the field and in Washington, from the lowest staff level to the highest political level. I attend the Secretary of State's morning staff meeting three times a week; I attend a special meeting with him, the heads of ACDA and USIA once every two weeks; and I have regular meetings with the Deputy Secretary.

USAID coordinates with the Department of State in regard to budget, policy, programs and financing. There are formal and informal coordination arrangements at every level of our two agencies' operations, in the field and in Washington, from the lowest staff level to the highest political level. I cannot argue that the coordination between us is perfect or that there are not at times differences between us. There are bound to be such differences, given our distinct but mutually reinforcing missions. But these differences are seldom serious, and we are all committed to resolving them responsibly and quickly whenever they appear.

The Committee has not specified the problems it seeks to resolve with the merger proposal. It proposes to move organizational boxes around before examining the basic issues of objective, mission and purpose of the various foreign affairs agencies it proposes to merge. Nor has this Committee explored carefully the programmatic or budgetary impact of its proposals. I think this approach is unwise. The first question that should be asked in any effort of this kind is, "What are we trying to achieve?" What are the purported problems this legislation is intended to address? In fact, the problems to which this legislation purportedly addresses are minimal or non-existent. The Vice President's study of these very issues earlier this year concluded that a merger of these agencies was both unwise and unnecessary.

This reorganization proposal puts Congress in the position of telling the Administration how to organize itself to conduct foreign affairs. Just as the Administration does not tell Congress how to organize itself, and just as the federal government does not dictate to the states how they should organize themselves, it makes little sense for Congress, unilaterally, to order the Administration to reorganize its agencies.

Reorganization, as proposed in this bill, simply does not make sense from a management perspective. All through the Congress and all across America, managers are trying to create public and private organizations that are more flexible, effective and less centralized. Ironically, this reorganization plan proposes to create a monster-bureaucracy that is the polar opposite of those ideals. By merging organizations with distinct missions, this proposal is advocating a top-heavy, inefficient style of management. In the last 18 months, for example, USAID has begun to reduce the time it takes to design and implement a project from 27 months down to a brisk 6

month process. The reorganization plan would quickly see the trend reversed, and projects would be slower moving and less responsive to pressing U.S. interests.

Let me put it even more simply. Can anyone on this committee name a major American corporation that would advocate putting disparate products, personnel and strategies under the same centralized corporate management? This is a recipe for foreign policy disaster. As former Deputy Secretary of State Wharton -- who studied the functions of USAID and the State Department at length -- said recently, USAID, "is on the right track, in fact, merging it with the State Department would lose an effective and flexible weapon in building democracy and promoting peace."

Furthermore, if existing missions were kept intact, there would be little cost savings achieved through reorganization. Despite allegations to the contrary, there is little duplication between USAID and the Department of State. Even though we both have Africa Bureaus or Latin America Bureaus, our staffs perform very different tasks. If the missions of both agencies were to be retained, cost savings would be minimal -- it is even possible that costs would rise in the event of a merger, at least in the short run. This is not only the Administration's view. It was also the view of the Ferris Commission, and the General Accounting Office was unable to conclude reorganization would result in significant savings.

The only way to make major savings in costs is to abandon existing missions and programs. The bill would set USAID's operating expenses for FY 1996 and 1997 at levels which would require reducing our direct-hire workforce by almost a thousand people during the next nine months. Such drastic measures could mean reductions in force before post-consolidation requirements were known. Cutting staff, with or without consolidation, would be expensive, and the bill has not stated the costs of reductions in force.

No agency in government has worked more aggressively to embody the spirit of reinventing government than USAID. USAID is far leaner and more focussed than it was just 18 months ago. Eliminating USAID would send a devastating message to all federal employees -- reform is not important; doing your job well is not important; moving boxes around on an organizational chart is.

To begin our reform process, we offered the entire agency as a laboratory for Vice-President Gore's "Reinventing Government" effort. As a result, USAID has put sweeping changes in place. During the last year USAID has:

- Announced the close-out of 27 overseas missions over the next three years and established a timetable for how long the agency should be involved in countries in which it currently operates;
- Eliminated 90 organizational units in Washington; cut back 70 senior positions, and reduced total staff by over 1,000.
- Developed a new electronic acquisition and procurement planning system that replaces 65 different systems and will eliminate tons of paperwork and expedite contracting.
- Established interrelated goals around which financial and human resources are focused: encouraging broad-based economic growth; protecting the environment; building democracy; stabilizing world population growth and promoting human health; and providing humanitarian assistance and aiding post-crisis transitions.
- Completed an agency-wide reorganization and "right-sizing" effort to streamline the agency.
- Introduced reforms to open up USAID's procurement to the best expertise in America, whether that expertise is located in Seattle, Milwaukee or other places "outside the beltway."
- Reduced project design time by 75 percent and developed a framework to unify USAID's multiple personnel systems.

Our efforts are succeeding. So much so that a member of the Ferris Commission which President Bush appointed to review USAID in 1993, said "This is the most remarkable transformation of a government agency I have ever seen."

We haven't made these changes to save a bureaucracy. We have fixed what is wrong because we believe that if America is to lead, it must lead with the best development agency in the world.

In conclusion, I would stress that this debate is about leadership. American can not truly lead internationally if we compromise the small investments that make that leadership possible. This bill would sacrifice that leadership. The United States will jeopardize its own economic future if we abandon developing markets. This bill will undercut America's hopes for continuing economic growth and prosperity. This bill would lead to untold suffering for millions of families around the world who only need opportunity to succeed. The ability of the United States to project a forceful foreign policy will be undermined if we throw away important diplomatic assets. This bill would abandon tools that every President since Truman -- Republican and Democrat -- have found essential to promoting America's interests abroad. In sum, far, far more stands to be lost through this bill than the United States would gain.

The choices are clear.

#####

PREPARED STATEMENT OF JOSEPH D. DUFFEY

HOUSE INTERNATIONAL RELATIONS COMMITTEE

Mr. Chairman, Congressman Hamilton, Members of the House International Relations Committee:

I appreciate this opportunity to discuss the fundamental ways in which USIA and other institutions in the foreign affairs community must refocus and restructure to meet the unprecedented challenges of a new era in international relations.

Across our nation today there is emerging with new seriousness a consideration of how we should conduct the affairs of our nation and how we should define our vital national interests in the post cold war era. Even now, five years after the fall of the Berlin Wall we are still seeking to understand this new era and its implications for how we understand national security and national interest as well as US leadership in the world. I welcome these discussions and debates. Any administration now or in the future that does not make every effort to see that foreign policy flows from the needs and values of the American people will surely fail. Without that relationship no foreign policy can be successful.

As the Director of an Agency whose entire mission is focused on understanding, engaging and influencing publics abroad, I am particularly sensitive to the concerns of our own public here at home. I share with many Americans the conviction that our first

concern should be to renew and preserve the promise of our own American dream at home. But I am convinced as well that Americans know today that global engagement remains both a fact of life and a requirement for shaping the kind of world which will make possible the pursuit of our dreams for this nation. While we confront our domestic problems with renewed attention and energy, we still must advance American interests in an increasingly complex and competitive world. This is a world in which America and Americans have much at stake and many new opportunities for economic growth through trade and investment.

The bill you are considering today proposes the reorganization of several of our government foreign affairs agencies with the goal of affirming once more the preeminent role of the Secretary of State in the creation, implementation and coordination of America's policies for dealing with this increasingly complex world.

Mr. Chairman, I respectfully submit that this legislative proposal is not likely to achieve the worthy goal intended. On the contrary, it may well do harm and set back the process of "reinvention" for the following reasons:

1. It would lead to massive disruption in the activities of the State Department and three major foreign affairs agencies where coordination is quite effective. In doing so, it would preempt

attention to the pressing need to improve coordination with the many other federal agencies which now are involved in international relations. These other agencies contribute more than fifty percent of staffing in our embassies abroad. This bill seems to ignore the fact that they are also engaged in foreign affairs activities because they are not in the 150 function.

2. All agencies within the 150 account are already under the policy guidance of the Secretary of State. For example, USIA's programs overseas flow directly from the foreign policy objectives set forth in State's Mission Program Plans for each country. We hold our officers accountable for understanding those objectives, and working to achieve them under the direction of the chief of mission.

3. The creation of a State Department megabureaucracy runs counter to all we know about efficient, rational organization, and will work against the flexibility and nimbleness required for policy implementation. USIA is not a policy sponsor; we take the Secretary's guidance and make the policy real in program terms. Our adjunct status also makes us immediately accessible to other Cabinet agencies with policy lead on specific issues with foreign implications, and we work to serve them as well.

4. Reform by fiat will not work. The process of reinvention has begun at USIA, State, ACDA, and USAID and must be allowed to

continue. The people who do the work and know the job must continue to be part of the reinvention.

5. There are no significant savings to be made through a merger of the 150 account agencies. With or without merger savings will be achieved in each function by eliminating programs and cutting personnel. With the complication of a merger this retrenchment would also come at the price of a steady, consistent, well-articulated foreign policy.

6. Reorganization must not take place in an atmosphere of confrontation between Congress and the Executive. The victim of such confrontation would be our leadership in the world.

USIA does not claim an heroic role in the international relations world of tomorrow. We are not trying to remake the world in our own American image. We respect public opinion at home and abroad by recognizing that in democratic societies, vast numbers of people not only can raise their voices -- they can vote. And when people vote and votes count, governments respond. Those same voices and votes are part of the equation when foreign governments decide whether or not to respond to American initiatives. We need to engage them with our perspectives if we are to advance our national interests. We do it best with a USIA as it is: a self-contained, flexible, focused, lean, mission-

oriented organization taking policy direction from the State Department and the White House.

Perhaps the most powerful lesson to be learned from the political life of recent times is, as a very smart conservative, Richard Weaver, once said, that "ideas have consequences." This is as true in international affairs as it is in our domestic politics. The United States Information Agency is our country's principal instrument for projecting our ideas and values in the international arena. It is a very good instrument. Those who tamper with this instrument are tampering with something very delicate, although potentially very potent. I am pleased to note that a number of very distinguished personalities in the field of foreign affairs, spanning a remarkable range of the political spectrum, have joined in cautioning against a merger that would almost surely destroy the distinctive capabilities of USIA.

Finally, Mr. Chairman, I fully understand and appreciate that, in facing the difficult budget realities that confront us all, the members of this committee do not advocate a retreat from America's engagement with the post-Cold War world. I know that most of your constituents do not advocate such a retreat. On the contrary -- they look to America's leaders not only for protection from threats abroad but for assistance in bringing the benefits of international engagement to our communities.

We must all adapt our spending to new budget realities, and our budget requests for FY 1996 was \$121 million below 1995 levels. Still, we must recognize -- as the President's National Security Adviser said last month -- that we cannot have American leadership on the cheap. I fear that the severity of the additional cuts proposed in this legislation could indeed force a retreat from America's engagement with the millions of people who live in emerging democracies around the world -- and prevent understanding about American policies from reaching millions more who still live in closed societies.

Mr. Chairman, a restructuring of the entire foreign policy apparatus of the U.S. government so as to best serve the interests of the American people in the world today cannot be done quickly and it cannot focus on the 150 Account agencies alone. The stakes -- our national interests -- are too high.

I stand alongside my 150 Account colleagues, ready to work with you and the Congress on these matters. But let us proceed with the care and thought this subject merits.

STATEMENT OF
THE HONORABLE RALPH EARLE, DEPUTY DIRECTOR
U.S. ARMS CONTROL AND DISARMAMENT AGENCY
BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS,
U.S. HOUSE OF REPRESENTATIVES
May 9, 1995

Chairman Gilman, Mr. Hamilton, and Members of the Committee. I have come from the Nuclear Nonproliferation Treaty(NPT) Conference in New York to testify before your committee in opposition to the proposed legislation which eliminates the U.S. Arms Control and Disarmament Agency.

The endgame has begun in New York for the United States. The United States has worked hard for three years to prepare for the vote this week which we hope will produce a majority of countries in favor of indefinite extension of the NPT. And yet, at the same time that I am leading the U.S. Delegation in New York and my agency has lead responsibility for the conference and the vote I have also been called to testify on a plan to eliminate my agency.

My director, the Honorable John Holum, could not testify today because he is in Moscow with the President and the Secretary of State engaged in addressing arms control and nonproliferation issues vital to the national security of our country.

The Director and I, along with the Vice President and the Secretary of State, are in firm opposition to ACDA's elimination as proposed in this legislation. As President Clinton told the Congress a year ago: "My decision to strengthen and revitalize ACDA, combined with continued Congressional support, will help the U.S. Government move vigorously to eliminate the overarmament of the Cold War, stem the proliferation of weapons of mass destruction and their means of delivery, and apply arms control solutions to regional problems."

There are six points that I would make relative to this legislation and the work of ACDA.

1. THE PRESIDENT MUST HAVE THE AUTHORITY TO CONDUCT U.S. NATIONAL SECURITY AND FOREIGN POLICY.

Congressional attempts to reorganize the foreign affairs agencies and to eliminate ACDA and the others by merging them into the Department of State are counterproductive and disruptive to the President's conduct of policy.

My case and the case of the ACDA Director are poignant this morning. ACDA is responsible for the NPT effort in New York and I am leading the U.S. Delegation but I am here testifying to oppose elimination of my agency.

The ACDA Director, John Holum, is in Moscow with the President and the Secretary of State making sure that the many remaining arms control and nonproliferation issues are properly addressed and progress is made. That list includes:

-- START I reductions of 9,000 nuclear weapons and inspections to ensure compliance;

-- START II ratification and pending reductions of an additional 5,000 nuclear weapons;

-- early deactivation of START II nuclear systems;

-- continued verification of the INF Treaty which eliminated an entire class of nuclear weapons delivery systems;

-- ratification of the chemical weapons convention and its implementation, especially Russian destruction of chemical weapons stocks;

-- compliance with the Biological Weapons Convention;

-- compliance with the Conventional Forces in Europe agreement; and,

-- nuclear trade with Iran.

Again, to underestimate the obvious, it cannot be reassuring to the ACDA Director nor credibility-enhancing in the eyes of his Russian counterparts to have his agency under consideration before this committee for ultimate elimination.

Such proposals are disruptive, distract us from the numerous arms control and nonproliferation tasks at hand, and, in the process, unwittingly weaken arms control and nonproliferation efforts just when they are most needed.

2. ACDA HAS A FULL ARMS CONTROL AND NONPROLIFERATION AGENDA FOR 1995 AND THE FUTURE. LET ACDA GET THE WORK DONE. THIS IS NOT A COLD WAR AGENDA AND ACDA IS NOT A COLD WAR RELIC.

President Clinton identified the full arms control and nonproliferation agenda before us when he observed in his March 1, 1995 address to the Nixon Center that, in 1995, we face "the most ambitious agenda to dismantle and fight the spread of weapons of mass destruction since the atom was split."

In 1995 the United States must preserve the Nuclear Nonproliferation Treaty, implement the START treaty and bring START II into force, fulfill the promise of the Chemical Weapons Convention, strengthen the Biological Weapons Convention, negotiate a Comprehensive Test Ban and the fissile material cutoff, fulfill the Conventional Forces in Europe treaty, open the way for capable theater missile defenses under the ABM Treaty, deal with the growing post-Cold War threat of proliferation of weapons of mass destruction, and address a number of other high stakes endeavors that will directly affect our security and global safety.

The U.S.-Soviet arms race is over. ACDA Director Holm is in Moscow with the President and the Secretary of State. Part of that mission is to ensure that such a nuclear arms race can never occur again. But, we are just now bringing formal arms reduction agreements into force, and their implementation will take years. Moreover, the U.S.-Soviet competition has been succeeded by the looming threat of proliferation of weapons of mass destruction to more countries -- and potentially to terrorists as well.

This reality prompted President Clinton to decide in 1993 to revitalize ACDA as the nation's lead agency for negotiating, implementing, and verifying arms control agreements. In 1994 the Congress and this Committee agreed. As a result, this small agency of just 250 people has major or lead responsibilities for all of the arms control and nonproliferation subjects I have just mentioned.

Certainly, the world has changed and the Cold War has passed. But, given the remaining dangers of Russian overarmament, and the new dangers of the post-Cold War world, ACDA is a "relic" of the Cold War only if nuclear, chemical and biological weapons and ballistic missiles are only a rumor and proliferation is just a bad dream.

Merger and elimination of ACDA will mean merger and elimination of ACDA's missions. Which missions will be dropped?

--Do we slow down our nonproliferation efforts just as we are on the brink of extending the NPT indefinitely?

--Do we put off implementing a comprehensive ban on all chemical weapons until after another Tokyo-style incident happens?

--Do we delay our efforts to eliminate the old Soviet nuclear arsenal?

We say, categorically, no.

3. ACDA'S REVIEWERS HAVE ALL REACHED THE SAME CONCLUSION: ACDA HAS WORK TO DO.

Last year the Congress approved legislation to revitalize ACDA and it has and ACDA is taking on that robust arms control and nonproliferation agenda. This year ACDA is threatened with elimination by this merger legislation. Merger will mean elimination of ACDA and it could cause grave difficulties for that agenda. This Committee has a strong reputation for bipartisan support for our country's national security. I would hope that support would include continued strong interest in and assistance to the agency that specializes in arms control and nonproliferation.

Our efforts should not be focused on how to arbitrarily move bureaucratic boxes around or change agency structures but rather on how we might better join forces to strengthen our national security and combat the threat from nuclear, chemical, and biological weapons proliferation.

Recently, ACDA has been carefully reviewed by the President, the Vice President, the Congress, the Department of State's Inspector General, and the Stimson Center. They all came to the same conclusion: ACDA's independence is key to its national security contributions. Cooperative legislative and executive

branch efforts should be focused on strengthening, not reducing, ACDA's capabilities.

Just last week the Stimson Center concluded that: "The Cold War against the Soviet Union has thankfully ended. The war against the proliferation of weapons of mass destruction continues unabated. Congress, however, is poised to axe the very agency of government with the best track record of stopping the spread of nuclear, chemical, and biological weapons. Few argue that the proliferation of these weapons must be at the very top of U.S. national security concerns for the foreseeable future, but if congressional critics of the Arms Control and Disarmament Agency have their way, the administration's nonproliferation braintrust and watchdog will disappear."

4. ACDA'S INDEPENDENCE IS THE KEY INGREDIENT MAKING IT A NATIONAL SECURITY ASSET.

The arms control and nonproliferation challenges of the post-Cold War world illustrate the need for an independent ACDA to answer these challenges with its specialized perspective at the highest levels of our government and with its specialized experience.

ACDA negotiates, concludes, and implements international agreements which can help lock up weapons of mass destruction.

ACDA monitors and verifies these agreements to ensure compliance and rally enforcement if there are violations.

ACDA provides policy advice to the President, Secretary of State, and the National Security Council on solutions to arms control and nonproliferation problems. These direct policy channels would be closed off if ACDA were folded into the Department of State.

As I understand the proposed legislation it would attempt to maintain the ACDA Director's channel to the Secretary of State by making him a Special Coordinator and Assistant Secretary. This would do nothing to enhance the Director's current status and access to the Secretary of State but it would cut the Director off from the President and the National Security Council thereby actually diminishing his status in the eyes of the Secretary of State. It is ACDA's reporting authority to the NSC and to the

President -- that distinct voice at the table -- that ensures that arms control gets due consideration in national security deliberations.

ACDA's statutory reporting line to the President would also be eliminated by this legislation. ACDA currently has a statutory reporting line to the President just like the Joint Chiefs of Staff(JCS). By statute, the JCS Chairman is the principal military advisor on military affairs to the President, the National Security Council, and the Secretary of Defense. Also by statute, the ACDA Director is the principal advisor to the Secretary of State, the National Security Council, and the President on arms control.

ACDA's independence means that ACDA brings to the policy table an expert and unconflicted arms control viewpoint. That viewpoint differs from the perspective of other agencies and departments, including the Department of State which often takes into account country relations, conflict resolution, and other diplomatic concerns as well as arms control perspectives. That is why ACDA was created and that is why ACDA has continued to prove its worth to U.S. national security over the years, today, and especially this week in New York and Moscow. For example, ACDA pressed for the original NPT in the 1960s while State initially opposed the NPT negotiation out of deference to some friendly countries that wanted to explore the nuclear option.

As the statutory arms control watchdog, ACDA must be independent. ACDA has the statutory responsibility to ensure the verification and compliance of all arms control agreements. ACDA develops verification requirements during negotiations and then ensures compliance once the agreements are signed and ratified. ACDA is the arms control watchdog for verification and compliance. ACDA assesses the performance of our arms control treaty partners and reports these findings to you, the Congress. Folding ACDA into the Department of State as called for in the proposed legislation would mean that verification and compliance issues would necessarily be one of many concerns for any foreign affairs or national security agency.

5. ACDA IS A STREAMLINING AGENCY

ACDA and the other foreign affairs agencies are streamlining according to the National Performance Review (NPR) reinvention process. Substantial savings have already been produced by this process. Moreover, both the President and the Congress are committed to further savings totaling at least \$5 billion in Function 150 over 4 years from fiscal year 1996 through fiscal year 2000 as indicated in the President's budget. ACDA is making and will make its contribution to those savings.

The proposed legislation calls for streamlining, efficiency, and adaptation to the post-Cold War security setting. ACDA has been and remains heavily engaged in doing exactly that.

The public interest in government streamlining is real and legitimate. We have pursued it at ACDA, and that work will continue -- in part, through sensible consolidation that preserves ACDA's independence.

ACDA is already a small, lean agency. We have just 250 employees and a core budget of \$45 million. That budget, in constant dollars, is the same as it was in 1966 -- and 10% less, in real dollars, than it was in 1993.

Meanwhile, during that same thirty year timeframe, ACDA's missions have grown by more than 5 times, from 10 in the 1960's to 54 today. As a former Director of ACDA and now Deputy Director, I can attest to the increase in the missions and the importance of the agency's efforts.

We have numerous advantages as a small agency. Those advantages would be obliterated by merging ACDA into State and thereby abolishing the agency. As a small, efficient agency, we are confident that we can do more things, faster, more efficiently and effectively with fewer people and lower cost. That has been the case under the current administration as well as under previous administrations.

We have progressed quite far in the process of streamlining, consolidation, and efficiency. Consider these three points about that process.

First, ACDA has undertaken reform and streamlining to

eliminate lower priority missions and increase effectiveness and efficiency. In his first sixteen months Director Holum has:

- o Completed a comprehensive management review;
- o Begun implementing a strategic plan that gauges performance by results rather than time or funds spent;
- o Started cutting the ratio of supervisors to front-line workers by about one-third; and
- o Undertaken a broad streamlining effort, the fruits of which include dropping several lower-priority activities entirely, and eliminating a quarter of our operating divisions.

At ACDA, streamlining is already being achieved. For example, we are in the process of consolidating several of our offices in Geneva and we are relinquishing the lease on the Botanic Building where our negotiating teams worked. This decision alone will result in cost savings, beginning in fiscal year 1996, of approximately \$850,000.

Second, the Vice President's Phase II decision reaffirms the need for an independent ACDA and calls for continued streamlining, reinvention, and additional savings in each of the foreign affairs agencies. ACDA will accelerate its streamlining of operations in Washington and we will cut back on overseas costs. ACDA is working closely with the Department of State to identify and eliminate unnecessary duplication and overlap in our substantive and policy activities.

Also, all the foreign affairs agencies are working together to establish more common administrative services. ACDA and State already share many common administrative functions, and we are expanding this whenever it benefits the taxpayers and the accomplishment of our mission.

Third, also pursuant to the Vice President's decision, ACDA's substantive operations will provide better and closer support for the State Department. We will more directly serve as a resource for the Secretary of State, and work within his overall foreign policy guidance.

The Vice President's National Performance Review directives will give taxpayers value for their money by producing less hierarchical, more efficient government while respecting the Constitution's traditional grant of authority to the President to

organize his national security and foreign policy structure.

In contrast, legislatively imposing a "one-size-fits all" mega-bureaucracy, as contained in the proposed legislation, would contradict the basic principles of streamlining government, by increasing red tape, adding more bureaucratic layers, and failing to achieve significant savings.

The Administration cannot accept this.

To date, ACDA has reduced its administrative expenses by approximately \$2 million in response to the Administration's re-invention process. Additional savings are expected as part of the National Performance Review directives. All of these efforts have been accomplished on a base budget of \$45 million which is 10% less, in real dollars, than it was in 1993.

6. BIPARTISAN SUPPORT MAKES ARMS CONTROL WORK FOR U.S. SECURITY

An effective arms control policy for the U.S. Government must have deep bipartisan support. That's why ACDA has been so successful. Every President since the founding of ACDA - first recommended by Eisenhower and enacted by Kennedy - has effectively utilized this agency to enhance our national security with arms control results.

ACDA's independence has contributed to significant arms control accomplishments by Presidents of both parties: START I negotiated under Reagan, ratified under Bush, now implemented under Clinton; START II signed by Bush, now awaiting Senate ratification; the Chemical Weapons Convention initiated under Reagan, signed by Bush, awaiting ratification and implementation under Clinton; and the INF agreement negotiated under Reagan, implemented under Bush, and now being multilateralized under Clinton.

President Reagan summarized this bipartisan view of ACDA's value when he stated: "Over the years ACDA has accumulated expertise and resources that have been invaluable to the efforts of six successive Presidents in protecting our national security and preserving peace with freedom."

THE PROPOSED LEGISLATION

The proposed legislation has many adverse implications for the contribution that ACDA is now making to our nation's national security. It disrupts the rapid progress that we are now achieving on numerous arms control and nonproliferation agreements. The merger and abolition proposal only adds new costs, disruption, and dislocation.

Preliminary analysis of H.R. 1561 as introduced less than a week ago on May 3, 1995 reveals numerous substantive, budgetary, technical, and policy problems.

The proposed legislation cuts ACDA's authorization request from \$76 million to \$44 million. This cut takes ACDA down below its base operating budget, cutting the \$17 million request related to the Chemical Weapons Convention and its implementation and the \$14 million request for the Cobra Dane program.

ACDA opposes these cuts because they limit the agency's ability to fulfill its arms control implementation and verification mission which was strengthened by Congress with passage of the Arms Control and Nonproliferation Act of 1994. Consider, for example, the denial of \$14 million for the Cobra Dane program.

Due to changing budget priorities within the Department of Defense and the Intelligence Community, the President in his Fiscal Year 1996 budget submission has requested that funding for the Cobra Dane phased array radar be included in the ACDA budget. This radar system, located on Shemya Island, Alaska, is critical to verifying the START I Treaty and any subsequent strategic arms treaties. The system collects independently basic data on Russian strategic ballistic missile tests of new and existing START limited missiles, such as number of re-entry vehicles(RV), RV size and shape, and missile throw weight. It is the only National Technical Means(NTM) asset currently available on a full-time basis to monitor these critical treaty parameters.

Under section 51 of the ACDA Act, ACDA has responsibility for an annual assessment for Congress on the compliance of START parties with their arms control obligations. Verification assets, such as Cobra Dane with its high reliability and accuracy, provide the requisite confidence to be able to make judgments about compliance.

Further, Section 37 of the ACDA Act requires the ACDA Director to report to the Congress any significant degradation in the U.S. capability to verify arms control agreements. Such a report could be necessary if data, such as that provided by Cobra Dane, is diminished from that which formed the basis of our verifiability assessment submitted to Congress in support of START ratification. Such a report would raise serious Congressional concerns about our ability to verify START I and would jeopardize ratification of START II. If these funds are not included in the budget, Cobra Dane would cease operation on October 1, 1995.

The ACDA request for \$17 million to implement the CWC includes funding for the U.S. 1996 assessment for the international implementation organization for the CWC, The Organization for the Prohibition of Chemical Weapons (OPCW).

Assuming entry into force in early 1996, reducing the ACDA CWC line item to \$12 million could very well result in the U.S. being unable to meet its assessment for calendar year 1996. This would seriously damage the effectiveness of the inspection organization charged with implementing CWC verification. It would send a harmful signal as well, indicating that the U.S. does not intend to take a leadership role investigating possible violations of the CWC.

Since the Department of State can not legally fund the Provisional Technical Secretariat with International Organization Funds it was agreed by State/IO and ACDA that the Fiscal Year 1996 budget item to support the CWC effort be funded by ACDA. OMB supported this decision as part of the Administration's FY1996 budget submission.

As a result, the proposed legislation:

0 wreaks havoc on a small agency which is working efficiently and effectively to achieve national security gains for our country;

0 micro-manages the foreign policy and national security operation of our country by instructing the President on how he should organize his national security team;

0 creates a larger and more layered bureaucracy; and,

0 does not save money but, rather, adds new spending requirements.

In short, this proposed legislation is ill-advised, counter-productive, and may adversely effect U.S. national security interests.

Accordingly, I hope that you will continue to support our mutual efforts to reap the national security benefits of arms control, by keeping a strong, independent, streamlined and effective agency to pursue one of the nation's most urgent missions in a transformed world.

Remarks by Secretary of State Warren Christopher
on the Strategic Management Initiative
May 8, 1995

Good morning, and thank you for joining me at this hour. We are here today to further an enterprise vital to our Department and to the conduct of American foreign policy: the Strategic Management Initiative, or SMI. I hope that you won't attach any significance to the fact that the Deputy Secretary and I are leaving for Moscow shortly after I deliver these remarks. We will return.

At our SMI Town Hall meeting six weeks ago, I set out my vision for our Department: I want a State Department that serves the President and American citizens with imagination, dedication and efficiency. I want a Department that leads the U.S. government in formulating and implementing foreign policy. And I want a Department that hires the very best people, trains and treats them well, and provides the direction and resources they need to do their jobs.

Let me say that I have never believed in change for its own sake. The world in fact has changed in important ways. And so necessarily must the Department change the way we do business.

I only wish that my predecessors in the 19th century had resisted change and managed to retain the Department's control over the Patent Office and the Mint. If they had, we might have found an easier way to resolve our current computer and budget problems.

One of our strengths as an institution has been our ability to adapt -- sometimes quickly and dramatically. During the Second World War, for example, the number of employees in the Department jumped from roughly 1,000 to almost 3,800; the ranks of the Foreign Service rose from 3,730 to about 7,000. This increase in personnel prompted not one but two massive reorganizations in one 12-month period. Shortly thereafter, when Under Secretary Acheson informed Secretary of State Marshall that the State Department had outgrown its quarters, Marshall gave him a one-word reply: Move.

Today, I ask the employees of our Department to move not into a new building, but to move into a new era. The end of the Cold War has given us a remarkable opportunity to shape a world conducive to American interests and consistent with American values -- a world of open societies and open markets.

At the same time, the American people have come increasingly to expect that all federal agencies will become more efficient and cost-effective. The SMI process is designed to and will help us meet these twin obligations. It builds on our reform efforts over the last two years. And it embodies the spirit and advances the goals of the National Performance Review that President Clinton and Vice President Gore have set in motion to reinvent government.

When I came before you in March, I identified five areas where I concluded that the Department should change. First, we must make better use of teams to formulate and implement foreign policy. Second, we must reduce the distance between action officers and decision-makers and increase accountability through further delayering. Third, we must improve administrative efficiency. Fourth, we must align our overseas presence with our priorities. And fifth, we must refocus our reporting and analysis. But I also emphasized that these changes must be accompanied by a new concern for the working and living conditions of all our employees.

To try to ensure that these recommendations were practical, I appointed seven working groups composed of 82 of our most respected colleagues. Their recommendations drew on responses from over 200 posts abroad and 2,000 of you here at home. They are linked by a single powerful theme: putting responsibility for decisions and actions where it belongs. Assistant Secretaries of State, for example, should play a central role in formulating U.S. foreign policy. They and ambassadors must also take a more active role in making the key management and resource decisions that flow from their policy choices.

The working groups carefully balanced our goals with the pressure of declining real budgets. We have not hesitated to break with the past for the sake of the future. Let me give you four examples:

- S/S-S, the Secretariat's "line" will be abolished, and a smaller staff consolidated in the Executive Secretary's office.
- The three round-the-clock Department watches -- S/S, INR and DS -- will be consolidated in the Operations Center.
- Using the criteria developed to identify 15 posts for closing by next year, I have decided to close at least 20 and possibly as many as 25 posts. Closing these posts would ultimately save us more than \$15 million in annual operating expenses.
- To lead an aggressive effort to modernize our information management technology, I will appoint a Chief Information Officer with broad across-the-board authority.

- 3 -

We will provide further material explaining these and other SMI initiatives. I urge each of you to read them carefully. But allow me to highlight some of the decisions we have made in the five priority areas I singled out for change.

First, teams. On policy issues that demand my greatest attention, I will appoint a single senior official as issue manager. That official will head Special Function Teams to oversee complex issues, drawing on the experience we have had with the Middle East peace process and the North Korea nuclear accord. Also under my direction, Policy Coordination Teams led by an Assistant Secretary or Deputy Assistant Secretary-level officer will handle other cross-cutting issues. Wherever appropriate, these teams should also include representatives from other Function 150 agencies.

My objectives are to reinforce the State Department's role in formulating foreign policy and to speed decision-making. Appointing a single senior official as issue manager will strengthen accountability. Teams will improve our ability to integrate geographic and functional interests, and to focus on multi-dimensional issues such as terrorism, NPT extension, and sustainable development. Better teamwork will also enable us to manage the Department more effectively and to provide better service to the American public.

Second, delayering. We will cut the front office staffs of Under Secretaries. Routine papers from bureaus -- like the thank-you note I received for signature last January -- will no longer have to go through an Under Secretary and eight clearances before they come to me. From now on, there should only be one bureau level and one office level clearance on information memos, routine correspondence, and appointment requests. Memos to the Under Secretaries will no longer have to go through S/S at all.

While I believe that Deputy Assistant Secretaries often play a vital part in the policy process, I will ask the Deputy Secretary and the Director General to review carefully and rigorously any upcoming DAS vacancies to see whether these positions are essential. Similarly, we will examine whether it is prudent to maintain individual deputy office director slots.

Third, management. The management working group proposed an ambitious list of changes that will also improve accountability and make resources available for new priorities. We will reform our budget process to give bureaus greater responsibility to manage their resources, and we'll hold them accountable for policy results. We will accelerate the centralization of our worldwide financial service centers. We will seek interagency agreement on a mechanism that will ensure that other agencies pay a fair share of all property

costs and building operating expenses. We will consider the privatization of some additional management functions. And we will look aggressively for new ways to improve our procurement practices.

Through these and other steps, our goal is to cut and to re-allocate at least 10 percent of our FY-96 headquarters support costs to higher priorities, especially improvement of working and living conditions and information technology.

Fourth, overseas presence. The working group on overseas presence devised a methodology for ranking posts for closure. Based on that methodology, it has recommended closing 20 to 25 posts drawn from all parts of the globe. I have accepted this recommendation, with the proviso that we maintain the principle of universality with only rare exceptions. The process of closure will be painful, but we must move forward now.

An Overseas Staffing Board chaired by the Under Secretary for Management will set worldwide State staffing levels according to six Embassy staffing models. This will make it easier for us to re-allocate positions among geographic regions to meet changing priorities. We will also seek to establish an Interagency Coordinating Committee to rationalize the U.S. Government's staffing overseas.

Fifth, reporting and analysis. I have approved the immediate elimination or modification of 12 required reports from the field. I have also ordered the re-justification of those that are requested by other agencies. I will also ask Congress to attach /sunset clauses/ to reporting requirements imposed on the Department.

Information Management. Every team also identified poor information technology as the biggest obstacle to an efficient workplace. My reverence for the traditions of the State Department does not extend to preserving antique computers. We cannot pretend we are ready for a crisis when our 7th floor printing capacity /crashed/ on the day that the Israeli-Palestinian Declaration of Principles was to be signed. We cannot pretend we are ready when our systems have trouble communicating within the building, let alone with systems in other national security agencies.

I will make the Chief Information Officer a full-time job with a mandate to accelerate the modernization of our information technology. I have asked for specific options and cost estimates by July 15.

Working and Living Conditions. I know that if we are to maintain the /readiness/ of the State Department, we must provide good working and living conditions for our people. Red

tape, poor infrastructure, and needless hardships have already undermined this readiness.

I asked all those working on the SMI to place a particular emphasis on these issues. The working group on living and working conditions has put forward some excellent ideas to expand those features of employment at the State Department that are /family-friendly./ I am asking the SMI Steering Committee to address your concerns about housing, medical care, family member employment, and overseas conditions. Moreover, our efforts to streamline our operations and delegate authority will raise productivity and help improve morale.

But we must be realistic. At best, our budget will remain flat. I am fighting against further cuts that will, in my judgment, harm our readiness and jeopardize our national security. I strongly believe that our foreign policy cannot be supported on the cheap. I have repeatedly testified before Congress that the resources we are requesting are the rock-bottom minimum necessary to advance our nation's interests. I have made that same point in talks with the leaders of the Senate and the House, and with the chairmen and members of their budget and appropriations committees. I will continue to deliver that message to anyone who will listen. Those who say they want a strong America have a responsibility to help keep America strong.

SMI and the improvements we undertake will help us to weather the tough times ahead. They will also help me continue to make a compelling case before Congress and the American people that the State Department is doing its part to use its resources efficiently and effectively.

I believe that the changes I outlined today, taken as a whole and implemented quickly and wisely, will make this a stronger and better State Department. But to promote real change, the SMI process must continue. These recommendations must be a beginning, not an end.

I have asked John Wolf, our Ambassador to Malaysia, to oversee implementation of the Strategic Management Initiative on my behalf. He will work closely with the Deputy Secretary and the Under Secretary for Management. I hope that all of you will also be working with him, because without your support, the SMI cannot succeed.

When faced with the prospect of dramatic change, there is a natural tendency to question the process, the proposals, and the decisions. Let me speak with unbureaucratic candor: I have read and thought hard about every SMI recommendation. These are my decisions. You can hold me responsible. I believe that they are the best way to make the State Department

- 6 -

more effective and more productive. I believe that they will help this Department reinforce its leadership role as the flagship institution of American foreign policy and diplomacy.

This will be a vital moment for this institution. Our Department and its people can rise above parochial concerns. The Department of State defines and advances what America stands for in the world. It exists to serve the American people. Our constituency starts with the President. It extends to the other federal agencies that rely on our diplomatic platforms to do their work. It embraces members of Congress. Indeed, whether we are working to fight terrorism, stem nuclear proliferation or promote American exports, everyone of our citizens has some stake in what we do. Our interests as an institution correspond with theirs.

The Department and I personally owe the seven working groups and their leaders a sincere vote of thanks for a timely job well done. Their competence, their commitment to making this a better Department and especially their teamwork are examples of exactly the strengths on which the State Department must build its future.

Our SMI goals are in the best interests of this institution and our nation. I call on each of you to help us achieve them.

Thank you very much.



news

*nonprofit organization devoted to
the strengthening of free societies.*

120 WALL STREET
NEW YORK, NY 10005
TEL: 212-514-8040
FAX: 212-514-8050

Embargoed until: April 19, 1995 at 9 am

For Immediate Release
Contact: Arch Puddington

Bipartisan Group Opposes USIA Elimination

Washington, April 19-A bipartisan group of prominent Americans has endorsed a statement expressing concern over the future of American public diplomacy and opposing the elimination of the United States Information Agency. The statement was issued by Freedom House, the New York-based human rights organization.

The statement was issued in response to proposals to abolish the USIA and incorporate its responsibilities within the State Department.

The signatories represent a broad cross-section of the ideological spectrum, ranging from liberal Democrats to Reagan Republicans. They include former officials of the Johnson, Nixon, Ford, Carter, Reagan and Bush administrations, as well as prominent historians, journalists, and human rights advocates.

The list includes Nobel Laureate Saul Bellow, historian Daniel Boorstin, former U.N. Ambassador Jeane J. Kirkpatrick, AFL-CIO President Lane Kirkland, former members of Congress Geraldine S. Ferraro, Dantes Fascoli and Michael Barnes, Edward J. Feulner, Jr., president of the Heritage Foundation, Malcolm S. Forbes, Jr., editor-in-chief of Forbes magazine, Richard R. Burt, former ambassador to Germany, Patricia O'Conor, Assistant Secretary of State for Human Rights and Humanitarian Affairs under President Carter, former Senator Malcolm Wallop, and former National Security Advisor Zbigniew Brzezinski.

The proposal to abolish the USIA is incorporated in legislation which envisions a major reorganization of American foreign policy. The legislation also proposes eliminating the Arms Control and Disarmament Agency and the Agency for International Development. The responsibilities of all three agencies would be assumed by the State Department. The Clinton Administration has opposed the proposal.

The USIA administers practically all public diplomacy programs, including the Voice of America, Radio Marti, Radio Free Europe and Radio Liberty, and a wide range of international exchange programs.

Public diplomacy has been an important instrument of American foreign policy for the past fifty years. Most public diplomacy programs, such as the Voice of America and various people-to-people and scholarly exchanges, have been administered through the USIA independent of the State Department. The other major initiative, Radio Free Europe-Radio Liberty, has been administered by the independent Board for International Broadcasting and is now in the process of being consolidated into the USIA.

The statement describes the USIA programs as "highly effective in promoting American interests and articulating who we are and how our policies and values are shaped." It expresses the fear that the proposed consolidation "would weaken American public diplomacy," and noted that public diplomacy had been "an auspicious aspect of our foreign policy in recent times."

The signatories expressed a concern that public diplomacy might suffer under the consolidation plan given the nature of the State Department's responsibilities. The State Department "values quiet negotiations, government-to-government contacts, protracted discussion, compromise and sometimes secrecy. A credible public diplomacy, by contrast, requires openness, the ability to respond quickly to rapidly changing world events, and independence in reporting, analysis, and comment."

Freedom House conducts a wide variety of programs aimed at the promotion of democracy and civil liberties around the world. It issues an annual Survey of Freedom in the World, which measures the degree of political freedom and civil liberties in every country of the world. It also sponsors democracy building initiatives in a number of countries, including Russia, Ukraine, and El Salvador, and a project to support human rights and pro-democracy advocates in Cuba.

THE FUTURE OF U.S. PUBLIC DIPLOMACY

New proposals have been advanced to place the United States Information Agency (USIA)—long the chief instrument of American public diplomacy—under the centralized control of the State Department. We believe this proposed consolidation and centralization would weaken American public diplomacy.

Why should the USIA remain independent? Through its broadcasting, numerous exchange programs and links with people throughout the world, it already is highly successful in promoting American interests and articulating who we are and how our policies and values are shaped. The State Department has a different though related role. It explains U.S. foreign policy to Americans and presents our government's official positions to foreign governments. The State Department values quiet negotiations, government-to-government contacts, protracted discussion, compromise and sometimes secrecy. A credible public diplomacy, by contrast, requires openness, the ability to respond quickly to rapidly changing world events, and independence in reporting, analysis and comment. In short, the culture of the State Department differs substantially from the culture of the USIA.

There are other important reasons to retain the USIA's present status.

- **Public diplomacy and formal diplomacy** While formal diplomatic relations conducted by the State Department are an important aspect of our government's diverse engagement with other societies, public diplomacy—our open efforts to win understanding and support among the peoples of foreign countries on matters that affect U.S. national interests—suffers when it is subordinated to the demands of formal diplomacy. We have long-term interests in developing flexible relationships with foreign educators, journalists, cultural leaders, minority and opposition leaders that must not be subjected to the daily pressures of official government-to-government affairs. USIA has filled this niche by setting up exchanges that introduce foreign representatives to U.S. governmental, non-governmental, private, business and cultural institutions.
- **American values: independent voices, one theme** The promotion of American political and economic values has been an auspicious aspect of our foreign policy in recent times. The spread of democracy and the global communication revolution indicate that this form of engagement in foreign affairs will be of great importance in the future. Diversification and independence—not centralization and uniformity—make the U.S.'s message more meaningful and credible. The USIA's broadcasting and exchange programs should remain free of interference from officials with responsibilities in other areas. Radio Free Europe/Radio Liberty, Voice of America and Radio Marti remain vital sources of information around the world. In East-Central Europe and the former Soviet Union (where independent media continue to face difficulties) RFE/RL is trusted precisely because of its journalistic integrity. This would be seriously compromised if they were perceived as official organs of State Department policy.

• **Re-orientation before re-organization** The structure of our foreign affairs agencies needs to be considered in light of America's global strategy in a rapidly changing international environment. Re-organization not rooted in a clear and comprehensive understanding and consensus about goals and missions cannot work or last. The USIA and federally-funded international broadcasting have track records of success and will continue to work. Indeed, with today's menacing phenomena of international criminal activity, terrorism, inter-ethnic hatreds and anti-democratic forces around the world, the work of USIA is more critical than ever.

We understand that there will have to be some significant re-organization and re-prioritization in foreign policy. Those who have offered proposals for change have done some service. The world has changed, in no small measure because of our multi-layered and multi-faceted foreign policy structures. Our goal should be coordination between agencies, not the kind of consolidated administrative centralism that will not work. The tasks of the State Department and the public diplomacy agencies should nurture one another, but must remain separate to be truly effective.

The Future of U.S. Public Diplomacy

Signatories (In formation)

Ned W. Bandler
Vice Chairman
Freedom House

Saul Bellow
Author

Hon. Michael Barnes
Former Congressman
Chairman, Center for National Policy

Walter Berns
American Enterprise Institute

Daniel J. Boorstin
Librarian of Congress Emeritus
Historian

Dr. Zbigniew Brzezinski
Former National Security Advisor
Center for Strategic & International Studies

Hon. John H. Buchanan, Jr.
Former Congressman

Hon. Richard R. Burt
Former Ambassador to Germany

Henry E. Catto
Chairman of the Board, Catto and Catto
Former Director, USIA

William Van Cleave
Director, Center for Defense & Strategic Studies
Southwestern Missouri State University

Kerry Kennedy Cuomo
Executive Director, Robert F. Kennedy Memorial
Center for Human Rights

James S. Denton
President
National Forum Foundation

Patricia Murphy Derian
Former Assistant Secretary of State
for Human Rights and Humanitarian Affairs

Vivian Lowery Derryck
President
African American Institute

Larry Diamond
Senior Research Fellow
Hoover Institution

William C. Doherty, Jr.
Executive Director
American Institute for Free Labor Development

Thomas R. Donahue
Secretary-Treasurer, AFL-CIO

Susan Eisenhower
Chairman
Center for Post Soviet Studies

Hon. Dante B. Fascell
Former Chairman
House Foreign Relations Committee

Hon. Geraldine S. Ferraro
Former Congresswoman

Edward J. Feulner, Jr.
President
The Heritage Foundation

Malcolm S. Forbes, Jr.
Former Chairman, Board for International Broadcasting
Forbes Magazine

Al From
President
Democratic Leadership Council

Alton Frye
Senior Vice President & National Director
Council on Foreign Relations

Hon. Frank J. Gaffney, Jr.
President
Center for Security Policy

Hon. Bruce Gelb
Former Director
USIA

Ernest Green
Chairman
African Development Foundation

Samuel P. Huntington
John M. Olin Center for Strategic Studies of
Harvard University

John T. Joyce
President
International Union of Brick Layers & Allied Craftsmen

Max M. Kampelman
Former U.S. Ambassador
Commission on Security and Cooperation in Europe

Lane Kirkland
President
AFL-CIO

Jeane J. Kirkpatrick
Former U.S. Ambassador to the United Nations

Bette Bao Lord
Chairman
Freedom House Board of Trustees

Hon. Leonard H. Marks
Marks and Collier

Will Marshall
President
Progressive Policy Institute

Adam Meyerson
Editor
Policy Review

Charles Morgan, Jr.
Attorney

John Norton Moore
Director, Center for Law & National Security
University of Virginia School of Law

Steven W. Mosher
Director, Asian Studies Center
The Claremont Institute

Joshua Moravchik
Resident Scholar
American Enterprise Institute

Father Richard John Neuhaus
Executive Director
Institute for Religion and Public Life

Michael Novak
American Enterprise Institute

Charles H. Percy
Former U.S. Senator

Robert L. Pfaltzgraff
Fletcher School of Law & Diplomacy
Tufts University

Richard Ravitch
Attorney

William S. Reese
President
Partners of the Americas

Peter Rodman
Director, National Security Program
Nixon Center for Peace & Freedom

Burns W. Roper
Former Chairman
Roper Starch Worldwide

Hon. Eugene V. Rostow
National Defense University

John Seligenthaler
Chairman
Freedom Forum First Amendment Foundation
Vanderbilt University

Al Shanker
President
American Federation of Teachers

Walter J. Schloss
Chairman
Walter J. Schloss Associates, Inc.

Nina Shee
President
Puebla Institute

Marvin L. Stone
Former Editor
US News & World Report

R. Emmett Tyrrell, Jr.
Editor-in-Chief
The American Spectator

Hon. Malcolm Wallop
Former U.S. Senator

Ben J. Wattenberg
Syndicated Columnist

George Weigel
President
Ethics and Public Policy Center

Allen Weinstein
President
The Center for Democracy

Hon. Charles Z. Wick
Former Director
USIA

Jacques D. Wimpfheimer
Chairman
American Velvet Company

James J. Zogby
President
Arab American Institute

USIA FACT SHEET

FIVE KEY FACTS ABOUT THE UNITED STATES INFORMATION AGENCY

1) During the past two years the USIA has begun to significantly change its organization and operations in keeping with changing times.

USIA is not simply a relic of the Cold War, whose mission was essentially completed with the fall of the Berlin Wall. Unquestionably, the bipolar world in which USIA operated for more than a quarter century has been transformed into a multipolar one. Fragmentation, speed, intensity and the public nature of foreign affairs has grown exponentially. Nevertheless, the fundamental mission of the United States Information Agency has remained unchanged:

- To explain and advocate U.S. policies in ways that are credible and meaningful to foreign audiences;
- To provide information about American values, culture, institutions and society;
- To build lasting relationships and mutual understanding through the exchange of people and ideas;
- To advise the President and other policymakers about foreign attitudes and their impact on U.S. policies.

Both these realities -- a transformed world, an unchanging mission -- reinforce USIA's critical role in the conduct of American foreign policy. The Cold War world may have been more threatening in some ways, but it was also more predictable. In much of the world, public opinion was important, but not necessarily decisive. That has all changed. The democratic revolutions that swept away regimes from Prague to Pretoria over the last decade have meant that vast numbers of people not only can raise their voices -- they can vote. And when people vote and votes count, governments respond.

In the cross currents and cacophony of this era, the clear, focused articulation of U.S. values and objectives to these audiences, these *voters*, is indispensable. Furthermore, it cannot be limited to the quiet rooms of foreign ministries, but must take place in editorial pages, television screens, academic conferences, personal encounters and electronic data exchanges -- everywhere that U.S. interests are engaged.

2) USIA retains an important and unique role in worldwide communication.

Those who argue that CNN and other worldwide media have made USIA obsolete confuse volume with substance, noise with communication. CNN, Disney, MTV and Hollywood are indeed powerful, if indiscriminate, purveyors of certain aspects of the American experience. But quite properly, America's private news and entertainment channels have no mandate to cut through the white noise of the Information Age and articulate American foreign policy goals to influential audiences abroad.

It is USIA, for example, which explains the connection between innovation and intellectual property rights to industry representatives in China; makes the case for NATO's Partnership for Peace to military officers in Central Europe; or advocates extension of the Nonproliferation Treaty to journalists in the Middle East and South Asia. Over the longer term, it is USIA that facilitates academic and institutional exchanges through the Fulbright and other programs which build mutual understanding and engagement.

As new channels of communication proliferate and expand, moreover, USIA is uniquely positioned to take advantage of them. USIA has been recently launched onto the Internet, which enables us to provide texts, transcripts, policy backgrounders, textbook materials, seminal documents in American history, and access to other U.S. databases to a new computer-literate generation throughout the world.

3) Public Diplomacy is not public relations.

There are those who regard the public aspect of American diplomacy as an extra, an afterthought -- a final brushing of clothes and combing of hair before sending the youngest policy initiative toddling off to the school of hard knocks.

This attitude misperceives the realities of the post-Cold War world and undercuts any policy's prospects for success. Put another way, a policy that cannot be explained to vastly different peoples throughout the world is no policy at all. Diplomats can conclude agreements; only public understanding and support can sustain them. What worked for the Congress of Vienna in 1815 will not work to promote U.S. trade initiatives in 1995.

For its part, USIA works to build public support for U.S. policies and values every day through its primary resources -- international radio and television, targeted delivery of background and policy materials, educational and cultural exchanges, and the efforts of public affairs professionals working at embassies and diplomatic posts throughout the world. We call this public diplomacy.

4) Given the multiplicity of U.S. actions and interests in the international arena, foreign policy has become the realm of several Cabinet agencies, and the State Department is the first among equals.

There is a widespread, if vague, feeling that having separate foreign affairs agencies such as USIA, USAID, and ACDA necessarily means a lack of coordination in foreign policy. This is not the real issue. The Secretary of State's primacy in the formulation of foreign policy is unquestioned, and I doubt anyone can cite a credible example of where USIA's independent status contributed to confusion or a lack of coordination in policy formulation or implementation. Consolidation cannot solve a problem that doesn't exist.

On the other hand, take a look at the actual composition of our embassies overseas. Today, the State Department and the other three agencies represented here today constitute less than half of the personnel at a typical embassy. The rundown of other U.S. government officials provides a snapshot of the diversity of issues that the United States addresses in other countries: Defense, Treasury, Justice, Transportation, Commerce and Agriculture. USIA personnel come in at five percent -- fewer than the Justice Department and about the same number as work in the State Department's diplomatic security service alone.

USIA, with public affairs as its central focus, is positioned to integrate the policy interests of these "stakeholders" into a coherent, credible public diplomacy effort. We are not instrument of any single department or agency, and therefore we can integrate the strengths and expertise of such agencies into a coordinated public affairs programs supportive of U.S. initiatives, institutions and interests.

5) Consolidation is not reinvention.

This proposal to eliminate USIA and fold its functions into the State Department seems dramatic enough to merit the term reinvention. But on closer examination it fails the efficiency test. Instead of shedding layers of middle management as USIA has already done, consolidation would add a massive bureaucratic overlay. Complex "horizontal" and "vertical" clearances would inevitably slow reaction time in an era where international events move at hyperspeed. Rather than an emphasis on flexibility and decentralization, we would be creating a bloated, top-down, centralized organization.

As the Tofflers warn in their book, *Creating a New Civilization*, "*the diversity and complexity of Third Wave society blow the circuits of highly centralized organizations.*"

Consolidation would also deliver a body blow to the reinvention effort that USIA has been conducting over the last three years. Budgets and personnel at USIA have been cut dramatically. The International Broadcasting Act of 1994, for example, streamlined VOA, RFE/RL, WORLDNET, and Radio and TV Marti at a savings of more than \$400 million and the elimination of 1,200 broadcasting positions over four years. Last year, we cut our magazine and exhibit divisions, and replaced the Policy and Program Bureau with a new Information Bureau that is 30 percent smaller and strips away substantial management layers. Moreover, the Information Bureau has been honored for its efforts to develop innovative, team-based methods of operation by Vice President Gore's National Performance Review.

I would note at this juncture that the State Department has undertaken its own reinvention effort, the Strategic Management Initiative. We wish them well in an endeavor that we know, from our own experiences, will be difficult, painful and exhausting. Reinvention is hard work. It is my belief that nothing could be more disruptive of State's reinvention program than the burden of absorbing USIA, ACDA and AID. In short, the consolidation of the Agencies into the State Department threatens important reinvention initiatives in all our organizations.

I would like to take a minute to comment briefly but specifically on some of the concerns raised by the consolidation proposal before this Committee. Although we oppose the consolidation proposal in its entirety, I would like to say that I believe some of the questions left unanswered by the legislation could have a dramatic impact on resources devoted to public diplomacy and thus our ability to carry out our mission within the State Department should this bill ever become law. For example:

Is it the intent of this legislation to define and protect the resource base for the public diplomacy function, or would the determination on how much to allot to public diplomacy be left the managers of the State Department who are faced with budgetary shortfalls in their own traditional functions?

In the proposed consolidated structure, who would make recommendations regarding priorities and funding for educational exchange or public diplomacy field staff levels: the Under-secretary for Public Diplomacy, State's Undersecretary for Management, or its regional bureaus?

How would the public diplomacy function work with State's traditional public affairs function? Is it wise to transfer the Smith-Mundt and the Zorinsky amendment to both functions as now would appear to be the case in the legislation?

Would this legislation ensure in this day of shrinking budgets and public calls for accountability that the "best management practices" -- not simply the standard operating procedures of the largest entity in the merger -- would be adopted in managing this new, large bureaucracy?

Would there be any protection for USIA's Civil Service complement through the consolidation transition -- a group which has already been significantly reduced over the past two years?

Would the legislation ensure that USIA's field practitioners of public diplomacy -- our Foreign Service Officer corps -- receive the same consideration of their specialized skills and experience that State Department Foreign Service Officers do in the assignments process?

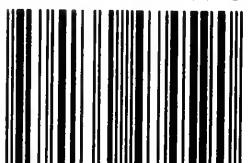
The way these questions are answered would determine whether this or any other consolidation proposal would result in the continued existence of the President's public diplomacy capabilities within a larger structure.

BOSTON PUBLIC LIBRARY



3 9999 05983 747 4

ISBN 0-16-047459-0



9 780160 474590

